

✓ *Current* JUL 24 1932
HISTORY



August, 1932

Price 25 Cents

ROOSEVELT: THE DEMOCRATIC HOPE . . . Claude M. Fuess
THE NATIONAL CONVENTIONS Turner Catledge
THE SCANDALS OF NEW YORK. Julian S. Mason
GERMAN CAPITALISM AT A DEAD END . . Herbert J. Burgman
THE WORLD'S SHIFTING GOLD RESERVES . D. W. Ellsworth
CUBA'S ECONOMIC ISOLATION William L. Schurz
HOW REAL WAS OUR PROSPERITY? Abraham Epstein
BILLIONS FOR VETERANS Robert C. McManus
THE BIRTH CONTROL CONTROVERSY . R. E. Riegel & L. Eager
THE END OF REPARATIONS James T. Gerould
CHILEAN SCRAMBLE FOR POWER H. G. Doyle
IRELAND AND THE EMPIRE J. Bartlet Brebner
MANCHURIA IN WORLD POLITICS Tyler Dennett
THE PARTY PLATFORMS (Full Text)

THE NEW YORK TIMES COMPANY



Also Regular Sailings to
EUROPE

via the De Luxe Southern Route

on the Conte GRANDE, ROMA, AUGUSTUS—Cosulich
Liners VULCANIA and SATURNIA

REX—Largest Vessel Built Since the World War, 54,000
gross tons. Maiden Trip from Genoa Sept. 27; from N. Y. Oct. 8.

Conte di SAVOIA—Only Stabilized Liner Afloat.
48,000 gross tons. Maiden Trip from Genoa Nov. 8; from N. Y.
Nov. 19.



*Lido all
the way*

WORLD CRUISE
of the
AUGUSTUS

JANUARY 14—MAY 20, 1933

Presenting the most distinguished Round-the-World sailing of 1933! With Lido all the way, the AUGUSTUS offers to world travelers the same high regime of aristocratic living for which the Southern Route to Europe is renowned.

33,000 tons—one of the largest ships ever to circumnavigate the earth! Big enough to be steady and staunch in all weathers . . . big enough to provide the famous Lido Deck . . . big enough to include a spacious, lofty Dining Saloon on the Promenade Deck!

Study her deck plans! Consider her renowned cuisine and service. Compare her itinerary . . . including Tripoli and all the most desirable world ports. Figure the economies of the abnormal low rate—\$2,100 up including 51 complete shore excursions. And decide once and for all that your World Cruise must be the most richly satisfying one you can take.

For information, reservations, etc., apply to 1 State St.,
New York City or local agent

ITALIAN LINE

In Co-operation with
THE AMERICAN EXPRESS CO.

CURRENT HISTORY

AUGUST 1932

Roosevelt: The Democratic Hope

By CLAUDE MOORE FUESS*

THE small boy who in our day aspires to become President should lay his plans to be first a member of the Cabinet or the Governor of a State, and not a Congressman. A Senator or a Representative can hardly help making enemies who are potential obstacles to his further advancement. The careers of Theodore Roosevelt, William Howard Taft, Woodrow Wilson, Calvin Coolidge and Herbert Hoover prove that any ambitious lad can afford to ignore the Capitol as a possible stage on the road to the White House. And now the Democrats have provided us with another candidate whose reputation has been formed chiefly as State Senator, Assistant Secretary of the Navy and Governor of New York.

The pleasing illusion that, in a democracy, the office should invariably

seek the man has this year been dissipated, for each of the two leading party nominees had been frankly and openly in the field. Franklin D. Roosevelt, heartened by his experience at Albany, is eager to repeat it in Washington. Herbert Hoover is obviously desirous of a vindication and a second term. Neither has been coy or shy. Why should he be? One recalls the story of Daniel Webster, who, in 1852, after he had lost the Whig nomination for the Presidency, was told that the position could add nothing to his fame. "Perhaps it is as you say," replied the statesman. "Perhaps I am just as well without that office. But, sir, it is a great office. It is the greatest office in the world; and I am but a man, sir, I want it, I want it." A blunt remark of this kind in the political world is as refreshing as an east wind on a humid afternoon. Mr. Hoover and Mr. Roosevelt have emulated Webster in refraining from hypocrisy.

Mr. Hoover's personality, long a fruitful topic of discussion, should by this time be no mystery to his coun-

*Mr. Fuess is a well-known American biographer, having written lives of Caleb Cushing (1923), Rufus Choate (1927), Daniel Webster (1930) and Carl Schurz (1932), besides contributing to the *Dictionary of American Biography*. He is now at work on a life of Henry Cabot Lodge.

trymen. Mr. Roosevelt, however, has been less carefully studied. It is apparent, of course, that he belongs to a type found more frequently in England than in the United States—the patrician, or the scholar-gentleman, in politics. Recently, however, we have become accustomed to college graduates as Presidents; indeed, it is some years since a genuine homespun child of the people has attained that office. Mr. Roosevelt, at a dinner or a ball, certainly bears more resemblance to Thomas Jefferson and Woodrow Wilson than to Andrew Jackson. But, leaving manners, accent and tailoring aside, what is Roosevelt really like? If we listen to the *Boston Herald*, he is a “slippery opportunist.” If we accept the verdict of his admirers, on the other hand, he is a gallant crusader, battling nobly against special privilege and monopoly. Shall we trust Walter Lippmann when he says: “The trouble with Franklin D. Roosevelt is that his mind is not very clear, his purposes are not simple, and his methods are not direct”? Or shall we accept John E. Mack’s declaration that Roosevelt is “a practical American, with a clear perspective and a knowledge of the entire nation”? It is difficult to weigh the evidence calmly when a prominent man is being simultaneously so much eulogized and so much abused. The truth is that he is neither all saint nor all sinner, but, like most mortals, a combination of variegated ideas, hopes and prejudices, from which the analyst must with difficulty evolve what may be called the man himself.

Roosevelt’s early life cannot be described as having been, like Lincoln’s, “the short and simple annals of the poor.” He belongs, by inheritance and education, to the aristocracy. He is the son of James R. Roosevelt by his second marriage to Sara Delano, and both the Roosevelts and the Delanos are old New York families, surrounded by luxury. Born on Jan. 30, 1882, the boy was brought up on his father’s farm at Hyde Park, on the Hudson

River, seventy miles north of Manhattan. He did not go to public school, but had French and German governesses, as well as private tutors, and was usually taken abroad for a few months of each year. At 14 he was sent to the exclusive Groton School, with others from his upper stratum of society. Up to this time he had associated with very few boys and girls outside his family circle, but he had led a healthful outdoor life and knew how to hunt, to swim, to play tennis and to sail a boat. Although he was uncontaminated by snobbery, no observer would have predicted that a lad with this background would develop into a leader of the party of William Jennings Bryan.

At Harvard, where he graduated in 1904, Roosevelt attained distinction chiefly as an active and fearless editor of the *Crimson*. He did, however, complete the regular course in three years and made Phi Beta Kappa. It is significant that he was elected to the more select clubs and was chosen chairman of his class committee. More important, perhaps, is the fact that, while Franklin was at this impressionable age, his fifth cousin, Theodore, was President of the United States, and the brilliant career of “T. R.” unquestionably stirred the aspirations of his younger and somewhat distant relative. It was in Harvard College that Franklin D. Roosevelt began vaguely to think about civic duty and public service.

In the Autumn of 1904 Roosevelt entered Columbia Law School. He was already in love, and, on March 17, 1905, he married his cousin, Anna Eleanor Roosevelt, daughter of Theodore’s brother, Elliott. The President himself attended the wedding, and his daughter, Alice, was a bridesmaid. Fifteen years later, the younger Theodore said of Franklin: “Oh, he’s a maverick. He doesn’t have the brand of our family.” Mrs. Longworth refers to him today without enthusiasm. But Franklin was a Roosevelt beyond a doubt, and was soon to prove his

eligibility to the clan. His wife, a woman of high intelligence and broad humanitarian interests, has been of much assistance to him in his progress.

In 1907 Roosevelt was admitted to the bar and promptly entered the office of Carter, Ledyard & Milburn, one of the best in New York, where, because of his interest in naval affairs, he was assigned the admiralty cases. But he did not cease watching the course of political events. The family tradition was Democratic, Theodore Roosevelt being the only Republican Roosevelt of his generation. For whom Franklin voted in 1904 and 1908 I do not know, but in 1910 he started in a modest way by going as a delegate to the Democratic State Convention in Rochester. In a sense it was a dramatic moment. The restless "T. R.," lately returned from hunting lions, could not remain behind the scenes and had insisted on dictating the nomination of Henry L. Stimson for Governor. The Democrats named John A. Dix. A few days later Franklin D. Roosevelt was persuaded to accept the nomination for the State Senate in his own strongly Republican district. It looked like a futile fight, but he took his campaign seriously, toured the county by automobile and quite unexpectedly defeated his opponent in a close contest. The Roosevelt name, then and later, was no handicap. Many voters undoubtedly thought that he was the ex-President's son. Some of them still think so today.

Senator Roosevelt opened his legislative session by audacious defiance of Tammany. Charles F. Murphy, the Tammany boss, had picked "Blue-Eyed Billy" Sheehan, an old-school politician, to succeed Chauncey M. Depew as United States Senator. Roosevelt, who had examined Sheehan's past and preferred Edward M. Shepard, organized eighteen Democratic Assemblymen who pledged themselves to refuse to attend the party caucus and to stand together until Sheehan's name was withdrawn. It looked like politi-

cal suicide, but the insurgents were able to block a choice for Senator. Pressure was brought to bear, but their backs only stiffened. Threatened, Roosevelt, in words which sounded like an echo of "T. R.," said: "There is nothing I love so much as a good fight." Meanwhile all business was held up at Albany and the nostalgic legislators were getting nervous. Finally Murphy, after summoning Roosevelt to a conference and ascertaining that the latter could not be budged, compromised on James A. O'Gorman. Tammany had been beaten, and a movement had been initiated which was ultimately to lead to the election of Senators by popular vote. Roosevelt's demonstration of independence made him a conspicuous figure in the State. To many observers he seemed like the reincarnation of Grover Cleveland, appearing at the psychological crisis to free his party from the shackles of Tammany rule.

At Albany Roosevelt grew rapidly in influence, but in 1913 his normal progress was interrupted by destiny. An early admirer of Governor Woodrow Wilson, Roosevelt again ran counter to Tammany by promoting Wilson's candidacy for the Presidency in 1912. Although not a delegate, he attended the Baltimore Convention and later, in spite of an attack of typhoid fever, did what he could to elect Wilson. Just before the inauguration Josephus Daniels offered Roosevelt the position of Assistant Secretary of the Navy, the same post which, by a peculiar coincidence, Theodore Roosevelt had occupied under McKinley. Franklin D. Roosevelt resigned from the State Senate, to which he had been re-elected, and moved with his family to Washington, where he was to spend eight strenuous years.

Roosevelt was well equipped for his new job. Already he owned one of the world's finest collections of books on naval affairs, and he had sailed boats since his babyhood. Possibly in unconscious imitation of "T. R.," he became the advocate of "prepared-

ness" and of a more powerful fighting fleet. Long before our entrance into the World War he had investigated the problems of our national defense. Thus, when the crucial moment came, his department was ready. He daringly anticipated emergency appropriations, authorizing large expenditures before Congress had actually voted the money and slashing red tape whenever it was necessary to do so. During the crisis he was a militarist, and his energy, practicality and zeal were all devoted to winning the war. Late in the conflict he was largely responsible for planning and laying the famous North Sea barrage which did so much to impair the German morale. In July, 1918, he went to Europe to discuss cooperative measures with the Allied leaders. He attended the Versailles Conference, where his admiration for President Wilson was accentuated, and he was converted to a belief in the League of Nations as a basis for international understanding.

At the Democratic National Convention of 1920 Roosevelt was present as the leader of some thirty delegates from up-State New York who approved of Wilson's policies. It was he who carried the standard of that State in the noisy parade which was intended as a demonstration of loyalty to the invalid President. After James M. Cox had been nominated, Roosevelt, without any intimation of what was in the air, was named by acclamation as the Democratic candidate for Vice President, Alfred E. Smith having made one of the seconding speeches. Although the Democratic campaign could make little headway against Harding's slogan of "normalcy," Roosevelt delivered over a thousand speeches and was heard throughout the country. When Harding and Coolidge were elected, he returned to his private practice of the law. After the war his militaristic mood rapidly cooled, and he has since

sponsored a naval holiday and other measures for achieving world peace.

In 1921, when he was 39 years old and in perfect health, a great catastrophe descended upon him. Fatigued after a busy Winter, Roosevelt sought a brief vacation at his cottage on Campobello Island in the Bay of Fundy. On a seething August afternoon he plunged into the icy water for a swim. A chill followed. On the next morning he was ill, and a day later he could not move his legs. Specialists made a diagnosis of poliomyelitis, or infantile paralysis, and he was carried back to New York on a stretcher, seriously ill and apparently condemned to inactivity for the remainder of his days. But when the attack had passed he made up his mind not to give in. Unable to regain muscular control of his legs, he soon accustomed himself to crutches and went about his daily duties as usual. Meanwhile he consulted every available authority on the disease. Although persistent exercise brought only slight improvement, he never lost patience. In 1924 he took charge of the Smith campaign and, in thrilling words, placed the name of the "Happy Warrior" before the Madison Square Garden convention, receiving a tumultuous ovation as he swung on his crutches to the platform. His fight for health had caught the popular imagination. Again, however, the Democratic ticket of Davis and Bryan presented few attractions to the voters, and the Republicans, personified in Mr. Coolidge, remained in control of the nation.

Even when his physical condition was at its worst, Roosevelt did not seek sympathy or pity. In the Autumn of 1924 he was told of an almost abandoned Summer resort at Warm Springs, Ga., where the water had an average temperature of eighty-eight degrees. There, with a life preserver around his waist, he remained in the pool for several hours a day, moving his legs slowly up and down. Gradually his muscles strengthened, and

after some months of this treatment he laid aside his crutches. Within a year he could ride horseback and drive his own car, and he now walks with the aid of braces and a cane. Of his endurance there can be no doubt whatever. During his campaigns for Governor in 1928 and 1930 it was frequently asserted that he would break down, but he made hundreds of speeches without fatigue. Aside from the weakness of his leg muscles, he has a superb vitality, which he preserves by several weeks spent each Winter in the peace of Warm Springs. The delegates at the recent Chicago convention saw no visible physical weakness in the man who flew from Albany to Chicago and there addressed them from the platform.

Through Roosevelt's money and influence the obscure Georgia resort has been transformed into a centre for the treatment of the victims of infantile paralysis. In 1927 he established the Georgia Warm Springs Foundation, which purchased the hotel, the cottages and the pool, secured an endowment, and eventually built a first-class sanitarium fitted out with every medical convenience. Hundreds of cripples have been treated there, and most of them have benefited by their experience.

Until 1928 Franklin D. Roosevelt had very few enemies, either personal or political. He was generally regarded, even by Republicans, as an attractive young man with good intentions and much ability who had suffered a stroke of hard luck which had removed him from the list of possible competitors for high office. It was popularly supposed, not without reason, that Tammany considered him to be dangerous and would not encourage him to re-enter public life. Nor did he himself wish to get into the game. He was concentrating on the re-establishment of his health so that there would be no relapse. What he wanted, first of all, was to rid himself of his crutches. With this in

mind he refused to run either for Senator or Governor.

He did, however, out of friendship lend his prestige to the cause of Alfred E. Smith; and in 1928, at Houston, he had the pleasure of seeing him at last win the Democratic nomination for the Presidency. When Smith later asked him to enter the contest for Governor of New York, Roosevelt declined, pleading his health as an excuse and saying that he owed it to his family "to give the present constant improvement a chance to continue." The Democratic State Convention at Rochester in early October was a forlorn gathering. Name after name was suggested as a possible head for the ticket, and each was rejected. At last Smith tried to get Roosevelt on the long-distance telephone at Warm Springs and begged for his help. Again Roosevelt refused, but when Smith made it a personal matter and asked desperately, "If the convention nominates you anyway, will you decline to run?" he had to yield. With this tacit assurance that he could be drafted, the convention nominated him, and he, after stumping the State for the Democratic ticket, carried it by a majority of 25,564. Smith and Robinson lost it by more than 100,000 and were defeated in the nation by Hoover and Curtis. Such amazing vote-getting power naturally focused the attention of the Democracy on this new leader—a man who could run far ahead of the popular Al Smith.

Roosevelt's inauguration at Albany on Jan. 1, 1929, marked the beginning of another stage of his career. His friend, Al Smith, whom he succeeded in office, congratulated him as "Frank," and everything seemed harmonious. But controversy and calumny were to be his lot. He had to face perplexing issues and to oppose some of his former associates. He had to deal with Tammany and its avaricious leaders. He could not escape arousing hostility, even within his own party. Roosevelt is still Governor of the Em-

pire State, and the main phases of his administration have been published so that every literate person could read them. What has happened? The Republicans have, of course, opposed him on many issues; he has lost Smith's friendship; he has not impressed the civic reformers, and he has alienated Tammany, or at least many of its leaders. Meanwhile, however, he has trumpeted an appeal to up-State New York and to the Democrats of the South and West. Without the backing of the delegation from his own State he secured the Presidential nomination. While delegates from other sections leaped up and down in a frenzy of emotion when his name was mentioned, the New York group remained in their seats, sullen and defiant, and even Mayor Walker voted for Smith. The hero who was so popular with everybody in 1929 has now to meet both contempt and hate.

Confronting a Republican Legislature, Governor Roosevelt was certain to have trouble. The really imminent problem was that of the best method of handling the immense hydroelectric power available from the St. Lawrence River. Governor Smith had adopted the policy that this enormous supply of energy should be developed only under State authority, but might be sold to private companies for distribution. Governor Roosevelt adhered to this plan, but startled the conservatives by intimating that if the system of distribution by private agencies should fail the State should construct and operate its own transmission lines—in plain language, that New York should enter the business of selling power and light to its citizens. He considered that private exploitation was under the circumstances unfair to the purchasing public. "Public utility corporations," he declared, "must never be our masters. They must be our servants." On this issue Roosevelt was opposed by the Legislature, which favored the private development of the St. Lawrence. In 1930, when Roosevelt ran against the

Republican, Charles H. Tuttle, water power was perhaps the major source of disagreement between the two parties. The Democrats won by a majority of 725,001, the most overwhelming victory in New York State history. Roosevelt's own party, including Tammany, had stood by him faithfully, and the *Atlanta Constitution* was right in asserting that he towered "like Saul among his Democratic brethren."

Governor Roosevelt could afford to ignore the gibes and denunciation of the Republicans if only he could retain the confidence of his own party. But always in the background was the menacing spectre of Tammany. Republican strategists knew that the easiest way of eliminating Roosevelt as a possible Democratic standard-bearer in 1932 was to set Tammany against him. The quickest method of doing this was, of course, by dragging him into the unsavory affairs of New York City. The existence of incompetence, not to say dishonesty, among certain New York officials allied with Tammany was manifest to every intelligent citizen of that community. The scandals were again brought to light in 1930, during Roosevelt's campaign for re-election as Governor. Instead of speaking out promptly against the malodorous Curry-Walker faction of Tammany Hall, he merely intimated that he had no power to act—and did nothing. Thus he alienated many of the reforming element in the city. The *New York Evening World* said: "Governor Roosevelt could have lost the coming election through Tammany hostility and remained a great leader. Instead he has lost a respect for which no victory can compensate."

During his second administration Governor Roosevelt has presented the spectacle of a man not sure what to do. He signed the bill passed by a Republican Legislature appropriating money for the Seabury investigation,

and gave Judge Seabury ostensibly a free hand. Although he dismissed the charges against District Attorney Crain, he did remove Sheriff Farley from office; but he also considered and dismissed the charges brought against Mayor Walker by the City Affairs Committee. Generally speaking, he has refused, as one of his biographers has pointed out, to admit "that the irregularities of the government of New York City have any political implications beyond the confines of the city." He did not do enough to satisfy the reformers, and he did too much to please Tammany. Before 1932, to the glee of the Republicans, the "little rift within the lute" widened; and in the late Spring of the current year the Tammany leaders refused him the support of the New York delegation at Chicago and assigned anti-Roosevelt men to prominent places on important committees. At the very moment when he was being condemned in some quarters for his inaction, he was being repudiated by Tammany itself. His astounding victory on July 1 was a bitter pill for the Wigwam to swallow, and it still remains to be seen what Tammany will do at the polls in November. On the final ballot in Chicago, Roosevelt received only 31 out of New York's 94 votes.

Roosevelt's bitterest critics have maintained that in his relations with Tammany he has sold his soul to Lucifer and sacrificed his integrity. His defenders, on the other hand, maintain that he has proceeded with regularity and fairness, making sure of his ground before reaching a decision. Judge Seabury himself, in his speech on Feb. 28, at Cincinnati, showed impatience at Roosevelt's silence and lethargy when confronted with demonstrated corruption. The situation was such that the Governor was certain to be damned, no matter which course he pursued. That he was able under the circumstances to

win the Presidential nomination is proof that a very large number of persons outside New York State do not regard him as culpable.

Governor Roosevelt is now the Democratic candidate for President of the United States. He is in his fifty-first year, in the prime of life, about six feet two inches tall, with a powerful neck and chest. He has clear blue eyes, brown hair and a fascinating smile, with features which are difficult to caricature because they reveal nothing out of the ordinary, like Theodore Roosevelt's teeth, McAdoo's nose or Hoover's pudgy cheeks. A physical examination for a life-insurance policy in October, 1930, showed that he weighed 182 pounds, had a thirty-seven-inch waist and was free from any organic weakness except that due to infantile paralysis. He has an excellent radio voice and is a persuasive public speaker.

His personality is not inaccurately described as magnetic. He is good-natured, perhaps too amiable, and it takes much provocation to irritate him. He has a gift for getting along with people of all ranks and classes. He has a well-developed sense of humor which comes to his rescue in emergencies. Those who meet him are impressed by his fundamental sanity. He is not ostentatious, but prefers a quiet home life and dislikes pretense and sham. He enjoys such diversions as toy yachting, horseback riding and motoring. For hobbies he collects postage stamps and owns a large number of ship models, several of which he built himself. He is a good farmer and forester, fond of conducting experiments on his land. He has been connected with countless philanthropic organizations and with the Woodrow Wilson Foundation. He has been an Overseer of Harvard College and is a trustee of Vassar and Cornell. He is a Mason and a member of the Protestant Episcopal Church.

In his political philosophy Roosevelt was originally a Jeffersonian

Democrat, with a firm confidence in the plain people and a desire, apparently sincere, to further their welfare; more recently, he has become increasingly liberal, inclined to indulge in what *The New York Times* calls "demagogic claptrap." Convinced that it is the duty of the State to care for its incapacitated citizens, he has advocated unemployment insurance, old age pensions and workmen's compensation. He has unquestionably done his best to relieve rural taxation, to promote prison reform, to systematize labor legislation and to bring about the State control of public utilities. In his acceptance speech, one of the best he ever made, he declared himself especially eager to assist the laborer, the farmer and the small investor. By some reactionaries he is regarded as very dangerous, and his famous speech, on April 7, 1932, about the "Forgotten Man," did not relieve their apprehensions. On the other hand, a true radical, Bruce Bliven, has said of him: "To me he seems rather the good fellow who talks in terms of restitution to the poor, but would not do anything which would seriously hurt the rich." On his record up to the present moment, Governor Roosevelt is to be classed as a progressive rather than as a radical, if, indeed, it is possible to define these very vague terms. His temperament and his training will probably keep him from socialism. As to the Eighteenth Amendment, he has now committed himself to repeal, without equivocation, in his speech of acceptance, by pledging himself to the Democratic platform and by adding:

"I say to you now that, from this time on, the Eighteenth Amendment is doomed."

During the next few weeks Governor Roosevelt will be denounced by Republicans for selfish opportunism, political cowardice and ruthless betrayal of his friends. Whispered stories are already sifting from ear to ear, casting aspersions on his mental and moral stability. It is alleged that he deals in glittering generalities and sonorous platitudes, and has nothing constructive to offer as an economic program for ameliorating the depression. Many business men are suspicious of him, fearing that he leans toward socialism and that he does not like banks or bankers. *The New York Times* has called him "indefinite, abstract, irresolute," and Walter Lippmann has styled him as "a pleasant man who, without any important qualifications for the office, would very much like to be President." *The New York Evening Post* has said: "The fear that he lacks both conscience and intelligence is the influence that is weakening Franklin Roosevelt's candidacy."

But Republicans will do well not to underestimate their adversary. He is no docile weakling or political non-entity. He will, I am sure, make a far stronger candidate than Cox, Davis or Smith. He is a tireless campaigner, full of aggressiveness and he knows the language of the common people, the people who, after all, cast a large majority of the votes. Finally, one must remember that he is a Roosevelt, and that the Roosevelts have a genius for doing the unexpected.

The National Conventions of 1932

By TURNER CATLEDGE

National Convention Staff, The New York Times.

BETWEEN June 14 and July 3 in this year of 1932 the two major political parties held their quadrennial conventions in the city of Chicago and through them presented to the country two men, one of whom will be the next President of the United States.

The one convention ratified the candidacy of Herbert Clark Hoover of California and started him out in quest of another four years in the White House on the basis of his own record. The other summoned Franklin Delano Roosevelt, the "liberal" Governor of New York, to lead a drive for more daring doctrines, designed to "recover economic liberty" and recapture the National Government at Washington. One was the Republican convention, born in apathy and ending in confident smugness; the other the Democratic, ushered in with many apprehensions but winding up with a burst of exultation over prospects for the Fall elections.

Second only to the candidates they presented, the two conventions answered a twelve-year-old plea of the American people for an outright expression on the controversial subject of prohibition. Almost as if they had worked in unison on this question, the two parties gave the country the opportunity of saying whether it is wet or dry, and exactly how wet or how dry. The Republicans proposed resubmission of the liquor question through a constitutional amendment so framed as "to preserve the gains already made in dealing with the evils inherent in the liquor traffic" and to retain Federal control over the whole question; the Democrats went all the way for repeal of the Eighteenth

Amendment and, pending such repeal, for modification of the national prohibition act so as "to legalize the manufacture and sale of beer and other beverages of such alcoholic content as is permissible under the Constitution."

With essential issues more clear cut than in recent times and sentiment in the country apparently more evenly divided than for twelve years in the past, spokesmen of the two parties went out from the stuffy halls and crowded hotels of Chicago and headed for the hinterland—Republicans waving the record of Herbert Hoover as set out in a 6,000-word platform, Democrats citing the same record as reason for a change and brandishing their own promises in a document of less than 1,500 words. [The complete text of the party platforms will be found on pages 630-640.]

The Republican convention was called to order shortly after noon on June 14 by Senator Simeon D. Fess of Ohio, retiring chairman of the Republican National Committee and stanch supporter of all things Republican. Not a mention was made of Herbert Hoover in those opening exercises. Not a picture of the engineer statesman hung on the wall or from the galleries of the crowded Chicago Stadium. It was Flag Day, and the opening ceremonies were dedicated to our original engineer statesman, George Washington.

The convention was soon to hear of Hoover, however, even as much as the pre-convention meetings and discussions had heard of the then all-powerful will of the party leader. Elaborate arrangements had been made

for the meeting. Committees of the party had worked with citizens of Chicago. The great Chicago Stadium had been ribbed with speaking devices, laced with telegraphic and radio wires; bunting had been hung and draped from ceiling and galleries and a band and an organist had been hired. But not the least among the arrangements, as was later found out, was the setting up of a private telephone wire from a room in the Congress Hotel to the President's desk at the White House. That wire was to make convention history. It started on its history-making mission on Sunday, June 12, when Lawrence Richey, private secretary to the President, and Walter Newton, his political secretary, who incidentally was a delegate from the State of Minnesota, arrived to take up the liaison between those theoretically running the convention and "the Chief." The private wire spoke, not loudly but finally, on every controversial subject before the convention or any of its committees, including the prohibition problem, and was given credit for saving the Vice Presidential nomination for Charles Curtis of Kansas.

The prohibition issue soon developed as about the only question before the convention. Some observers, among them politicians, looked for revolt here and there and finally settled on the idea that the break would come over the Vice Presidential nomination. As seasoned a political observer as Secretary of the Interior Ray Lyman Wilbur doubted that a convention could be kept under as absolute control as was evident at the outset of the Republican meeting. Days passed, however, without a sign of a break, except one slight case in which the credentials committee seated a "black and tan" delegation from Mississippi against a "lily white" contingent backed by the administration. Whoever had looked for revolt had either not heard of or had paid scant attention to the existence of

that private wire to the White House.

Interest in the prohibition question grew rapidly from the belief that some change would be recommended. Word came to Chicago on Sunday night that Mr. Hoover had agreed to a proposal to resubmit the question to the States. Secretary of War Hurley was reported from Washington to be "rushing to Chicago" with the prohibition proposal as approved by the party leader himself. The actual work of determining the party's position on prohibition started on the night of June 14, just a few hours after the convention had been formally opened. The committee on resolutions, commissioned to draft the platform, sat for long hours hearing advocates of prohibition reform and prohibition reaction, and then sat for longer hours trying to formulate its own conclusions.

Senator Hiram Bingham of Connecticut arrived on Monday, June 13, to advocate outright repeal as the stand of the party. He was Connecticut's member of the resolutions committee. His plank was already formulated; he knew what he wanted. But when the Connecticut wet proposed that a committee of fifteen be designated to work out the draft of the platform, he was soon aware of the fact that he had been left off a subcommittee for whose birth he had been responsible. After an all-night session the resolutions committee emerged on the morning of Wednesday, June 15, with the party's platform, including the so-called "wet-dry" plank which, according to convention leaders, had been thumb-marked by the President himself. Senator Bingham immediately gave notice that he would file a minority report, proposing that the party take a stand for outright repeal. His announcement assured a fight.

The party's statement of principles—the "platform"—was taken before the convention that night. The fight that had been anticipated was realized in all its fury. The convention was

treated to its first dose of Chicago rowdyism, of which the Democratic meeting was to see more. Senator Bingham led his forces against the "sham" plank, as he characterized the majority proposal. The crowd cheered the white-haired, handsome Senator as he pleaded for an "honest" statement on prohibition, and booed and jeered such party leaders as James R. Garfield, son of the late President, and Ogden L. Mills, Secretary of the Treasury, as they advocated adoption of the administration plan. Dr. Nicholas Murray Butler received the greatest reception of all with his castigation of the mild "wet-dry" plank proposed by the resolutions committee. But when the votes had been counted, 681 stood with the administration against the 472 for the outright repeal plank of Senator Bingham. Only Mississippi broke completely away from the powerful control of the administration, and this was explained the next day by Perry Howard, Negro leader of the delegation, as a "pure fumble," due to a misunderstanding of the question before the convention.

After the action on prohibition, the entire party platform was adopted without even as much as a rising vote or further discussion. The convention as a whole evidenced little interest in the tributes to the leadership to President Hoover or to the reaffirmation of present policies, after the prohibition question had been settled. Delegates listened, applauded at times and even shouted once or twice while Mr. Garfield read the declarations, especially those parts relating to public economy, a balanced budget and maintenance of the gold standard "unimpaired," but did not raise a voice to discuss any of them.

The renomination of Mr. Hoover would go down in history as entirely perfunctory were it not for the possibility that future recorders might give some prominence to the last-minute dash of former Senator Joseph I. France of Maryland to throw the con-

vention into a panic, a move that from the start was hopeless. Mr. France, a candidate before the convention himself, conceived the idea of a coup by which he would seize the platform and place in nomination that idol of post-war and pre-Hoover Republicanism, Calvin Coolidge. Mr. France gained the platform all right, but his strategy came near writing him down as the perpetrator of a misdemeanor under the ordinances of Chicago and laws of the State of Illinois. Before he could utter a word, he was grabbed by police and rushed from the platform.

In the balloting that followed, Mr. Hoover received 1,126½ of the 1,154 votes. Senator France received 4; Coolidge, 4½; Dawes, 1; John J. Blaine, the Wisconsin "insurgent," 13, and former Senator Wadsworth of New York, 1. Three delegates did not vote and one was marked absent.

As one revolt was squelched, another died aborning. While the prohibition battle was waxing warm, word came from Washington that Charles G. Dawes, recent president of the Reconstruction Finance Corporation, had withdrawn himself from all consideration as a nominee for the Vice Presidency. His "No" had crushed the drive to unhorse the former jockey, Charles Curtis of Kansas, as Mr. Hoover's running mate. With Mr. Dawes completely out of the race, the opposition to Curtis tried to centre on some one else. The Texas delegation had led the flight away from Curtis, and others were following one by one, but the emphatic Dawes "No" was reinforced by whatever it was that came over the private wire from the White House, and there was scurrying back to the standard of the Kansan.

Colonel Hanford MacNider, Minister to Canada and hero of the dough-boys, was put forward. Major Gen. James G. Harbord of New York was put up to tempt the ex-service men, as was General Edward Martin of Pennsylvania. Favorite sons were trotted out, and Representative Snell

of New York, permanent chairman of the convention, was placed in nomination by the Texas contingent as a reward for his services. Before the balloting started six names had been entered and six more were placed in nomination during the roll-call. Vice President Curtis was $19\frac{1}{4}$ votes short of renomination at the end of the first ballot. Then it was that Pennsylvania, just as she had done for Mr. Hoover when he was first nominated, came to the rescue. The delegation changed its 75 votes from Martin to Curtis. The Kansas delegation raised its standard and started a demonstration. R. B. Creager of Texas, who had engineered the Dawes boom, moved that the nomination be made unanimous.

Then, with adoption of a few resolutions the Republican convention of 1932 passed on to the archives of party history three days after it was begun. Everett Sanders of Indiana was subsequently made chairman of the Republican National Committee, to become, in fact, manager for the Hoover-Curtis ticket.

Three days after the Republicans had taken their signs down from the doors along the "B" floor of the Congress Hotel the Democrats began to set up shop. The first to come were the Roosevelt forces. Headed by James A. Farley, they took over a whole section of rooms, departmentalized their headquarters and before many days had passed were operating a major industry in the city of Chicago.

Then came backers of Alfred E. Smith, Speaker John N. Garner, Governor Albert C. Ritchie of Maryland, former Governor Harry Flood Byrd of Virginia, Melvin A. Traylor of Illinois, James A. Reed of Missouri and William A. (Alfalfa Bill) Murray of Oklahoma. Headquarters were set up; incoming delegates and visitors were deluged with literature and bedecked with badges; signs appeared in the lobbies and waiting rooms telling of the strength of this and that candidate, and fervent souls strode the passageways venting their views on

economies, prohibition, the two-thirds rule or the right of Senator Huey P. Long to handpick a Roosevelt delegation from Louisiana.

The actual work of the convention was begun on Wednesday, June 22. A committee on resolutions already had been formed out of members designated by various State delegations before arriving in the city so that the task of writing the platform could be begun.

It was thought at the outset that a fight would be waged for control of the convention between friends of Governor Roosevelt and those opposed to his nomination. The first flourish of the contest occurred that first Wednesday when a subcommittee, designated by John J. Raskob, retiring chairman of the Democratic National Committee, undertook the responsibility of passing upon delegate contests in Louisiana, Minnesota and Puerto Rico. The Roosevelt forces rose up in open defiance of the regular party organization—a defiance which was to continue until the Smith-Raskob-Shouse organization had been completely overthrown.

Led by Senator Long, self-styled "Kingfish" of Louisiana, the so-called "regular" delegations refused to submit their contests to the subcommittee. Senator Long used strong language in characterizing the group, and pulled the cat right out of the bag with a declaration that it was a move to throw out three groups of delegates pledged to Roosevelt. He was upheld by the full committee, later by the credentials committee and by the convention itself.

The preconvention parleys brought on more controversy. As each candidate arrived, new fuel was added to the fire. A "Stop Roosevelt" movement developed in no uncertain proportions and proudly bore the name. The pro-Roosevelt movement to control the convention, get the nomination and get it quickly was in evidence on every hand. This was noted by friends of former Governor Smith,

around whom the "Stop Roosevelt" movement was centring. Mayor Frank Hague of Jersey City felt it so keenly that he came out boldly with a statement, issued from the Smith headquarters, telling the whole convention that Governor Roosevelt would be the weakest candidate that could be named at the convention, too weak to carry the Eastern seaboard.

By the time the convention assembled in solemn session at noon on June 27, rough sailing was indicated on the weather chart. During the hectic preconvention days Governor Roosevelt's forces, sure of a majority of the delegates but somewhat short of the two-thirds majority as required by the 100-year-old custom of the party, decided to change the rules at that stage of the game. This loomed as the first big test, and then there was the determination of the Roosevelt people to elect Senator Thomas J. Walsh of Montana as permanent chairman, instead of Jouett Shouse, who was put forward by the old organization. The Roosevelt interests staked their all on the outcome of these skirmishes. They realized that a defeat on any one of them might mean such defections from their fold as could not be filled in time to prevent some "dark horse" from scampering home with the nomination.

Into this confused situation walked the tall, soft-spoken but crafty William Gibbs McAdoo. He was welcomed as a convention delegate, and enjoyed a bit of acclaim in the Garner fold as the leader of the forty-four delegates from California. Mr. McAdoo's views were solicited on the various controversial matters and written down as worth just forty-four votes, or the number from California. He was for retention of the old two-thirds rule; he was for Mr. Shouse as permanent chairman; he had no second choice for the Presidential nomination; he was for Garner, first, last and always. Mr. McAdoo shook hands warmly with many people, including former Gover-

nor Smith, with whom he fought it out at the Madison Square Garden convention. He was complimented on how well he wore his 69 years, and was assigned a not too conspicuous place on the floor of the convention. He was placed on the resolutions committee, and led a futile effort to have the party declare for the guarantee of deposits in member banks of the Federal Reserve System. In fact, he was received just as any other good Democrat, plus whatever additional attention went to him by his having been in the Wilson Cabinet and in the Madison Square Garden fiasco. The convention was to hear from him, however, and from his forty-four votes. A finger of destiny had touched him the minute he landed in his own airplane at the Chicago airport.

An air of expectancy permeated the entire assembly on that first day of the Democratic convention, June 27. It cannot be said that the Democrats were restrained by it; they decidedly were not. They were on their marks during the "keynote" speech of Senator Barkley of Kentucky. They paraded at the least provocation and went wild at the mere mention of prohibition repeal. The convention got over that first day without much controversy.

Trouble, however, started that night in the committees. All eyes centered on the rules committee to see what it would do with the age-old two-thirds rule. Prohibition and all else, including "Kingfish" Long's contest, were forgotten for a while. On this issue Roosevelt and "Stop Roosevelt" forces joined battle. Coming to the convention with an actual majority of the States committed to their candidate, the Roosevelt legions were successful in the first skirmish over the rule. Seeking to change the rule and at the same time to cause as little defection as possible among the Southern delegates, the committee voted thirty to twenty for a resolution proposing retention of the two-thirds rule for six ballots, after which the con-

vention itself should vote whether to continue with the existing order or change to a mere majority nomination. This was presented as a certain cure for a deadlock; there was much fear apparent that Democrats of 1932 would revert to 1924 tactics.

All the persuasion of the Roosevelt stalwarts could not change the position of representatives of the twenty States that voted against the proposal. And in that score of States, figuring defections both ways, were 601 votes against changing the rule. This did not become apparent until some time after the rules committee adjourned, but when it did, the Roosevelt forces, with lightning speed and acting on advice from the Governor in Albany, called off the fight. The rules committee was summoned to a hasty session the next morning to rescind its action of the night before, thus preventing a test on the floor which the Roosevelt forces calculated they would lose.

The Roosevelt cause was at ebb tide when the convention met for its second day. Bitter feelings had been stirred up by the two-thirds rule contest, and talk of bolting among the Roosevelt delegations was heard. A turn came in mid-afternoon, however.

Brought back into control after what one writer termed "syndicate leadership," the Roosevelt hosts hit hard. They seated the "regular" delegations from Louisiana and Minnesota by votes of 638 $\frac{3}{4}$ to 514 $\frac{1}{2}$ and 658 $\frac{1}{2}$ to 492 $\frac{3}{4}$, respectively, thus adding to the actual voting strength of Roosevelt delegates, and elected Senator Walsh of Montana permanent chairman over Jouett Shouse by a vote of 626 to 528.

Up to this stage of the convention little had been heard of the platform. While prohibition had been the only question of active interest at the Republican meeting, it was so far hardly mentioned among the Democrats, and when the convention now turned to its resolutions committee it found it unable to report. As in the case of the Republicans, the Democrats were

hung up over the prohibition plank. The convention decided to wait in session until the resolutions body could report. Broadway entertainment was called upon to keep the delegates amused, but the convention finally had to recess until a night meeting.

The Democratic platform, shortest in the annals of the party, was born late in the day of Wednesday, June 29. It was carried before the convention by the chairman of the resolutions committee, former Senator Gilbert Hitchcock of Nebraska. Its every paragraph was applauded, from its opening statement blaming Republican policies for the present economic plight, through sixteen of its short sections. When the seventeenth was reached, and Mr. Hitchcock read: "We favor the repeal of the Eighteenth Amendment," the great hall seemed to explode with a burst of cheers. Delegates leaped high from their places and landed on the march in the largest demonstration of the whole convention.

The former drys of the party offered a minority report. They asked that Congress propose an amendment repealing the Eighteenth Amendment, with no commitment of the party as to how the States should vote and with no provision for immediate modification of the Volstead act. Two hours' debate followed, but no Democrat took the rostrum to defend the present order of prohibition. It was during this debate that the convention got its first official glimpse of Alfred E. Smith, the standard bearer of 1928. A great outburst of applause greeted the "Happy Warrior" when he arose to defend the majority report. Another candidate, Governor Ritchie, also addressed the convention in behalf of the repeal. The plank was adopted by a vote of 934 $\frac{3}{4}$ to 213 $\frac{3}{4}$, thus establishing the Democrats as the party of outright "repeal."

On the following day, Thursday,

Continued on Page 628

The Scandals of New York

By JULIAN S. MASON

Editor-in-Chief, The New York Evening Post

IT is the habit of Americans to permit their city governments to fall into the lowest forms of political corruption and then to jerk them upward to comparative decency by outbursts of investigation and reform. In the Winter of 1930 and 1931 the logic of affairs seemed to make inevitable another of these periodic checks upon the administration of the government of the city of New York. In March 1931, therefore, the Legislature of the State at Albany put through a resolution providing for such an inquiry. In the year that has followed, there has been etched the picture of the municipal political system that faces the citizens of New York today.

There are those who think that it may be the last of the great investigations, because, after each investigation, corruption, takes warning and digs itself more deeply in. As in warfare, defensive armor has developed to meet the lessons learned under the last heavy attack. Graft is not as raw as it was in the days of Boss Tweed, or as it was years later in the investigation of New York's government by the Lexow legislative committee and that fearless clergyman, the Rev. Charles H. Parkhurst. The next investigation will almost surely not have at its command the main weapon employed by this one. There will be no bank accounts to subpoena into court. Transactions will more than ever be in cash; bank accounts will be kept abroad, where no demand by an American Legislature can produce them.

These fundamentals were not understood by the public a year ago when the agitation culminated for an investigation into the conduct of New

York City affairs by Tammany Hall, the Democratic organization which has controlled the city, with short interruptions, for almost three-quarters of a century. But the public conscience was shocked in 1930 by the revelation of corruption in the magistrates' courts where justice is dispensed most directly to the people.

The Republicans took the issue to Franklin Delano Roosevelt, the Democratic Governor of New York. Though they had control of both chambers of the Legislature they asked him to demand of that body an investigation of the Democratic city government centred in Manhattan's old City Hall. He refused, with a show of propriety and an evasion of active moral leadership that has cost him so much throughout the whole course of the investigation. However, he said that he would approve such an investigation and sign the appropriation bill for it, if the Legislature should present it to him. This was done on March 24, 1931. Two weeks later the investigating committee was named with Senator Samuel Hofstadter, Republican, of New York City, as chairman. It was made up of a majority of Republican Senators and Assemblymen, and a minority of Democrats chosen by Tammany Hall, the institution that was actually to be investigated. Those Tammany men, throughout the whole investigation, instead of representing their State as investigators, have thrown every possible obstacle in the path of the inquiry.

On April 8 the committee chose its counsel—always the most important element in these investigations. For instance, Charles Evans Hughes, now

Chief Justice of the United States "made" the New York life insurance investigation and his own public career when he took charge as counsel for the Armstong committee at the turn of the century. The Hofstadter committee immediately appointed as its counsel Samuel Seabury, who has had complete control of the course of the investigation. It was so nominated in the bond. He refused to take the job until given an absolute guarantee to that effect by the Republican majority of the committee at the behest of the Republican State Chairman, W. Kingsland Macy. A lawyer of the highest standing, a former judge and, a strong, if defeated, candidate for the Governorship of this State, Mr. Seabury could not be expected to undertake the responsibilities of such a task without the power to accomplish it.

Judge Seabury gathered about him a group of young lawyers of the highest degree of ability and civic patriotism. Their relations with him have been marked by a complete frankness, an unfailing eagerness and an absolute devotion. It is my prediction that our political life will eventually hear from these young men to its own advantage. They were ready and willing to undertake the dry-as-dust examination of bank books, vouchers, accounts, city records and miscellaneous documents of volumes vast enough to appal the stoutest heart. He subdivided these public-spirited youngsters into teams. Each team was assigned to inquire into each office or officer in the city government. It is my opinion that so well does modern political corruption cover itself that only the keenest intelligence and the most unflagging effort—plus luck—could have uncovered what they have uncovered. What they have missed may be—must be—far larger than the purely legal evidence which they have presented.

With this little army around him, Judge Seabury in June, 1931, started

the long march which was to end a year later when, just before the Democratic National Convention, he filed with Governor Roosevelt a record and an analysis of the evidence against the fitness of James J. Walker to remain in office as Mayor of New York. Under the city's charter the Governor has complete power to remove the Mayor from office. Presentation of the evidence in the case lies in the hands not of the committee but of the committee counsel or of private citizens. Under the law, all that the committee has to do is to report to the Legislature by January, 1933, its findings and its recommendations for changes in the city's charter.

It was inevitable that Seabury's march should lead him to Mayor Walker's door. The committee's commission was "to investigate, inquire into and examine * * * the conduct of the municipal government of New York." The Mayor personified that government. His leadership of the defense stood out as clearly as did Seabury's conduct of the offensive. Walker was the Mayor of New York, twice elected to that almost national office, the second time by an overwhelming plurality. He was also Tammany Hall; that is to say, he had defeated "the new Tammany" of former Governor Alfred E. Smith and had established his friend John F. Curry as boss. Walker had had long legislative experience as Democratic leader in the Senate at Albany. He was a picturesque and charming figure, known all over the United States and Europe as the very personification of New York. Indeed, he is today as nearly an exact representative of his city, with all its strength and weaknesses, as our system can produce.

Seabury laid siege to Walker in a manner new to the annals of these investigations. We might call it the "encircling" method. That is to say, the attack was begun on the outlying areas of the citadel. He started at once the investigation of "every city

department and bureau having discretionary power in granting permits or licenses." Along these avenues the simpler forms of graft, if any, were obviously to be found. I do not mean that this graft was small; on the contrary, the evidence showed it to be vast, in the aggregate. This outer circle once established, Seabury moved toward the inner circle where far greater sums were collected through the more subtle use of political power for private gain. He sought to show that more important city officials and more influential leaders of Tammany Hall were guilty of practices defeating a fair and proper management of municipal affairs. This inner circle established, he next moved against the boss and ex-boss of Tammany Hall, Curry and George Olvany. Then, finally, he came to the Mayor himself. It was as if Judge Seabury had reversed the processes of nature by which a stone thrown into a calm pool produces rings of wavelets growing wider in circumference. He took the waves and drove them inward, ever inward, until they beat upon the spot where the troubling of the waters originated.

The calendar of the investigation does not show, to revert to the original figure, that the sapping and mining operations were always conducted with equal success. Sometimes, as in war, one part of the line would create a salient in advance of the rest. But, in the main, the record shows that the commander-in-chief conducted, in an orderly and regular progress, his encircling attack and drove it home, at the last, with the shock troops of culminating evidence.

All through the Summer of 1931 the outer circles were under an investigation. Judge Seabury's young men brought forward facts—and startling and scandalous facts they were, too—about strange happenings in the Department of Purchase; about building permits and dumping permits; about the dance-hall "racket"; about viola-

tions of fire rules; about gambling in political-social clubs; about taxicab graft and all the lesser malpractices of the Tammany system.

In one of the hearings before the Hofstadter committee Judge Seabury said: "In every department we are going into * * * you will find public officeholders with large funds as to which they are unable to account by any reasonable explanation. * * * Your Honors will see many representatives of different departments, these amazing creatures who take the stand, admit sums of this kind and give you a cock and bull story that is just as amazing as they are." On the other hand, Samuel Untermyer, speaking for the Tammany war board, answered this in *The New York Times* in December, 1931, when he said: "Assuming that there is much that is suspicious and unbelievable, there has been no crime or concrete ground for removal uncovered. The trouble with Judge Seabury's method is that he apparently does not bore deeply. He skims the surface and then skips from one subject to another, with everything left to conjecture. You cannot remove from office, much less indict or convict men on mere suspicion and inference."

Nevertheless, Governor Roosevelt, in the most bravely moral action that he has taken in connection with the investigation, did actually remove from office Sheriff Thomas M. Farley on "suspicion and inference." The Governor laid down the sound rule of public policy that a public official cannot be free of suspicion of improper conduct when he cannot explain large sums of money deposited in his bank accounts far above his official salary. Mr. Untermyer, too, did not see or did not admit the cumulative power of the encircling evidence which he described as skimming and skipping.

During that first Summer of 1931 Mr. Seabury's circle of evidence, narrowing inward, produced, as I have

said, salients where the advance was more rapid than the general pace. These salients were the preliminary connections of Mayor Walker with the bus franchise of the Equitable Coach Company and of his financial relations with his financial agent, Russell T. Sherwood; there was also the introduction of the name of former Tammany Chief Olvany in connection with dock leases and rulings from the Board of Standards and Appeals; there was, thirdly, the appearance of Mr. Curry, Tammany's present chief, as a participant in the effort to prevent the Hofstadter committee from getting the testimony of William F. Doyle, a veterinary surgeon with marvelous influence upon the Board of Standards.

The committee began the investigation of the Equitable Coach Company's activities on July 10, 1931. As the use of the automobile had increased in the city, it had been becoming more and more evident that the traffic-blocking, slowly-moving outworn trolley car system would have to give way to the modern motor bus. The city had been startled some months previously when Mayor Walker had gaveled through the Board of Estimate a franchise for the Equitable Coach Company which was afterwards disallowed by the Transit Commission. Therefore, when Judge Seabury announced that he would begin taking "private testimony" on the granting of this franchise, people knew that he would eventually ask Mayor Walker why this company had been preferred above others which offered larger cash guarantees, more buses and longer routes of service. He did so, in the climactic phase of the investigation, when he put Mayor Walker on the witness stand in May of this year. "Private testimony," by the way, meant the testimony given by witnesses *in camera*, before Judge Seabury and his associates. Under the rule adopted, this testimony had to be brought out

again in the open hearings before it could be put into evidence.

The Olvany salient was created mainly by what came to be known as the "dock cases." The North German Lloyd wished to rent one of the city-owned piers. Although the company's attorneys testified that such a thing was unnecessary in any other city in the world, it felt itself compelled to hire a political go-between, William H. Hickin. The company was assured that David Maier, a close friend of Mayor Walker and a companion on his last trip to Europe, had to be approached. Maier, it was testified, said that the matter could be arranged for \$2,500 or \$3,000, but that Hickin would have to be retained as attorney. It eventually cost the steamship line \$50,000 before it could even have its application placed before the Dock Commissioner, to whom the city's charter requires that it go first.

"Running through that condemnation proceeding we find, back-stage, the Honorable George W. Olvany, then the leader of Tammany Hall." So said Seabury in his formal Intermediate Report to the Hofstadter committee, on Jan. 25, 1932. Seabury also found back-stage Traugott F. Keller, Chief Engineer of the Department of Docks. Keller, after his "private testimony," and while on his way to further investigation, "either fell or was pushed in front of a subway train and was killed instantly." It is also shown, in Exhibit B 16 of this report, that the bank deposits of Mr. Olvany's law firm between 1925 and Nov. 5, 1931, totaled \$5,283,032.19. A footnote adds: "The deposits quoted above represent only a part of the income of the firm; some of its fees are not included in its bank accounts." Judge Seabury summarized the North German Lloyd case by saying that it is "evidence of the subtle system by which graft is now extorted, to wit, the interposition of a lawyer to whom the money is passed under the guise of legal fees."

Before I leave the "dock cases" I must add a picture of one of its features that showed Judge Seabury's intent to make the investigation as non-partisan as possible. He called to the stand E. C. Carrington, president of the Hudson River Navigation Corporation, then Republican candidate for the presidency of the Borough of Manhattan. He ruined Carrington's chances of election by compelling him to admit that in his company's negotiations over the condemnation proceedings on the North German Lloyd pier site he had secretly retained the law firm of Olvany, Eisner and Donnelly, of which Judge Olvany, then leader of Tammany Hall, was senior partner. "I quite approve," testified Mr. Carrington, artlessly, "of the idea that the head of Tammany might be quite helpful to the company in this situation." It is quite possible that Mr. Carrington's artlessness, rather than his willingness to deal with a rival and corrupt political organization, was the reason for his devastating fall in the eyes of the voters. At any rate, the voters in New York defeated him, and have since shown as little "moral indignation" over the Seabury disclosures as has Governor Roosevelt himself.

The third salient again involved the Olvany law firm. It also involved Mr. Curry, present boss of Tammany Hall. It further involved the eight years' deposits of \$1,007,367.72 made by Dr. Doyle, the humble veterinary surgeon, mentioned above, whose main "practice" appears to have been before the Board of Standards and Appeals. He took his fees from this practice and deposited only a portion of them. He admitted "splitting" his fees but, as Judge Seabury's report says, "except in a few minor cases he says he does not remember with whom." Judge Olvany testified that while he was Tammany leader he used to ask the Chairman of the Board of Standards to come up to Tammany Hall and talk

over the cases with him. He declared that he never discussed cases in which his own law firm was interested. Judge Seabury reported to the committee, concerning the latter statement, "I do not accept it as credible."

As in all American prosecutions, the law or the courts or the rules of court practice constantly interpose barriers to benefit the pursued and handicap the pursuer. The contempt case of Dr. Doyle I take as the best example of this, because of its revelation of the back-stage connection between organized politics and the judges that it nominates. Doyle refused to testify as to whether he had bribed a public official. He based his refusal on the fear of self-incrimination. He persisted in this refusal, although the committee voted him immunity. The Hofstadter committee then cited him for contempt and Supreme Court Justice Black sentenced him to thirty days in jail. Doyle's lawyers arranged with Justice Harry R. Sherman of the Appellate Division, by telephone to the latter's home at Lake Placid, N. Y., to grant a stay and a release on bail. Seabury was not given a chance to be present at this hearing, previous to which it was established that a telephone call was made from Mr. Curry's New York apartment to Judge Sherman's Lake Placid home.

Mr. Curry on Aug. 14, 1931, admitted the telephone call. He said that he made it because he was "interested in any Democrat in the great city of New York," and that he had been "expecting some one to test the committee's powers to grant immunity." Justice Sherman's stay was only a matter of a few days, as the Appellate Division soon upheld Doyle's sentence for contempt. When this decision was taken to the Court of Appeals this highest tribunal of the State of New York sustained the contempt sentence, but held that the committee had no right to grant immunity without an act of the Legislature. Thereupon, the

Legislature, called into special session by Governor Roosevelt, granted this power. At the cost of long delay and of many, many thousand dollars to the taxpayers, we thus see the committee allowed to proceed on the plain and just course laid before it. And we see Justice Sherman absolved by the Bar Association of any impropriety, though the intervention of Mr. Curry was described as "unfortunate."

"The truth of the matter was," Judge Seabury reported to the committee, "that the political organization with which Doyle had had his relations was taking up the cudgels when an exposure of those relations was threatened, particularly when there was danger that continued incarceration might weaken Doyle's resistance to this disclosure."

In the meantime the outer circles of evidence were being steadily built by Judge Seabury. On the theory that repeated instances of the receipt of large and unexplained sums of money by lesser officials must lead inescapably to the conviction that there was something wrong with the system and the higher officials who appointed them, he laid bare with deadly accuracy these "money mysteries" in the affairs of successive appointees of Tammany Hall. He made Sheriff Thomas M. Farley testify that his unexplained bank deposits of \$365,000 came mostly from two "wonderful boxes" in his home. Farley and Culkin, his predecessor in office, were afterward indicted for grand larceny in appropriating the interest on public funds put in their charge. The juries refused to convict, but Governor Roosevelt, on the high grounds of public morality, which I have stated above, removed Farley from office.

Farley was the head-liner in this performance. After him came James A. McQuade, Registrar of Kings County, who testified that most of his bank deposits of \$547,000 he had borrowed to support his family—"the

other thirty-three McQuades." Next came Harry C. Perry, Chief Clerk of the City Court, who said he "probably had won some bets," in trying to explain deposits of \$135,000. Next came Michael J. Cruise, City Clerk, with deposits of \$143,000. There was the marriage clerk, McCormick, the Under-Sheriff Curran, and a long line of political leaders and city officials with incomes beyond their salaries—large and unexplainable.

Through it all ran the committee's search for Russell T. Sherwood, who, testimony showed, had rented a joint safe deposit box with Mayor Walker. There is a sizable list of these missing witnesses. Judge Seabury in his report mentions especially Charles Brady, Superintendent of Buildings in Manhattan, and John O. Lewis, Chief Engineer in the same office. It took weeks to bring into court State Senator John A. Hastings, close friend of Mayor Walker, and the main figure in the Equitable Coach Company negotiations. Sherwood they never did bring to court. He was last heard from when a correspondent of *The New York Evening Post* discovered him in Mexico City. The absence of his testimony must be held in mind in weighing the probable guilt or innocence of Mayor Walker in his duel on the stand with Judge Seabury.

This final encounter began on the morning of May 25, 1932, in a court room in the octagonal court house of New York County, which was once a nine-day architectural wonder in this brilliant and beautiful city. The Hofstadter committee filled a broad dais usually reserved for a judge alone. Seabury leaned easily against the rail to the left. Directly in front of him Mayor Walker, without ceremony, slipped into a raised armchair, called the witness stand. To Seabury everything seemed to be an easy, everyday matter. To Walker everything seemed to be a fighting ground. Seabury, with a charm, in its own way as strong as

Walker's, looked blandly off into space. Walker, squaring his shoulders, with his elbows half thrust out, as his imitator does in filling the part of John P. Wintergreen in the musical comedy, *Of Thee I Sing*, darted anxious eyes here and there over the room. He was not a lion at bay; he was a silken panther, seeking his friends and his enemies before he joined the inevitable battle.

The battle was joined. Seabury faced Walker with a piercing questioning upon the fifteen "conclusions" which on June 8, 1932, he presented to Governor Roosevelt as possible reasons "that the Honorable James J. Walker should be removed from the office of the Mayor of the city."

The first conclusion was that the Mayor had accepted thirty-three bonds valued at \$26,000 from J. A. Sisto, who was interested in having New York City limit the number of taxicabs operating within its limits. Then followed evidence that the Mayor, in violation of the city's charter, owned ten \$1,000 bonds of the Reliance Bronze and Steel Corporation, which sold the city 104 traffic light standards. The strange awarding of the Equitable Coach Company franchise was a subject for the keenest interchange between the two duelists. Seabury, suave, well dressed, well mannered, asked his questions with Jove-like calm. Walker was slanging his interlocutor under his breath, as a baseball coach, back of first base, tries to rattle the pitcher. Walker wise-cracked and was cheered. He made stump speeches and was cheered. He uttered flat denials and was cheered. Seabury was cheered only once, when he lashed out at the Tammany clique which did the cheering for Walker.

Yet Seabury pursued relentlessly his encircling tactics. Despite Walker's denials, he brought out evidence to show "that the Mayor improperly made possible and facilitated the pur-

chase of three hundred shares of Interstate Trust Company stock," an "inside" favor which apparently benefited the promoters of the Equitable bus franchise. Seabury showed that a letter of credit for \$10,000, to finance the Mayor's trip abroad, was purchased by J. Allan Smith, an Equitable promoter, and that Smith "took care of" an overdraft of \$3,000 made in the Mayor's name. He showed the Mayor receiving large "beneficences," amounting to from \$10,000 to \$246,000 from people whom his Honor explained had been merely his "friends."

The Mayor spent two days on the witness stand. Then, with great promptness, Governor Roosevelt requested and obtained from Judge Seabury the whole evidence in the case, and an analysis of it. This received, he appointed two attorneys to advise him as to the interpretation of thousands of pages of testimony. He then called upon Mayor Walker to answer the charge. To the surprise of most politicians, the matter then went over until after the Democratic National Convention. It is not yet clear whether, in the convention, Tammany did or did not withhold its votes from Governor Roosevelt's Presidential candidacy because of the Seabury-Walker inquiry.

As I write these lines, the Governor has not yet made his decision. It seems to me that it is quite possible for a lawyer's mind to build up a legalistic case upon which the Mayor need not be removed from office. But it also seems to me that no man with a sense of the proprieties of office and with a capacity for moral indignation can read this record of Tammany Hall without believing that some one should be punished for it. At any rate, it is believed by the deeper student of our municipal government that if the Seabury investigation does not lead to the removal of Mayor Walker, we might just as well hand Tammany a blank check and look forward to never having an investigation again.

German Capitalism at a Dead End

By HERBERT J. BURGMAN

[Mr. Burgman, a native of Minnesota, is a graduate of the University of Berlin and the author of *Die Agrarkrisis in den Vereinigten Staaten*. He has been a resident of Germany for the past twelve years.]

CAPITALISM in Germany has come to a dead end, but it has not broken down, as many thought when the government in December last decreed a 10 per cent reduction of prices, wages and rents; the right to cancel leases; a moratorium on mortgages until Dec. 31, 1933, and lower interest rates on private debts yielding over 6 per cent. Ever since the war, rents have been fixed by law, with housing accommodation allocated by priority of registration; since 1923 wages have been regulated by the government; and since 1925 prices have been indirectly determined by the tariff.

Nevertheless, profound changes have been taking place in German economic life and, as we shall see, in one sense it is quite true that capitalism no longer exists in Germany as it did during the nineteenth century, the only period when it flourished in its pure and unadulterated form. Even a generation ago German capitalism was already losing some of its chief characteristics. Today it still retains its profit-seeking motive and still pushes forward along the path of the technological revolution, but with this enormous difference—that it is no longer individualistic and free, but collectivized and restricted in every direction. A system of protective tariffs, monopolies, subsidies and socialization of losses has superseded free competition and individual risk. Those are the outward signs of the crisis which German capitalism has reached.

German business men themselves

were the first to undermine the German capitalist system. Long before the war workmen were deprived of the right of collective bargaining, while manufacturers were organized into cartels to eliminate competition. The government encouraged this movement, and during the war even compelled the formation of cartels. After the revolution of 1919 the cartels organized the Federal Association of German Industry, which continued to dictate economic policy—except as regards the workmen, who were more or less protected by the new Constitution.

Firms belonging to a German cartel remain legally independent, but are able to exercise collective control of the market by restricting production to quotas and by fixing prices. Marketing is often left to the central office of the cartels. Prices are usually based on the cost of production in the most inefficient plant plus a profit, although they are sometimes set on a lower scale, and then the cartels subsidize the weaker plants. The cartels thus tend to save all members and prevent the healthy weeding out of the inefficient, with the result that during a crisis efficient and inefficient concerns go into bankruptcy arm in arm. The formation of cartels is not entirely voluntary on the part of manufacturers, but is in part dictated by economic forces. Capital concentrated in giant undertakings makes the risk of free competition so great that many manufacturers prefer to help support a few obsolete plants than to stand by themselves and take the chance of being wiped out—with a consequent waste of capital. When unbridled monopolies are

controlled by cartels, however, there is danger of other wastes.

Consider the case of the Ruhr Coal Syndicate. Like most cartels, it bases the quotas of its member firms on their potential capacity of production. To obtain a larger quota, coke producers enlarged their plants. In 1926 there were 16,200 coke ovens with an annual capacity of 28,000,000 tons. In the following three years 4,000 new ovens with a capacity of 16,500,000 tons were added. Although the potential production greatly exceeded the demand and the volume of trade was rapidly declining on account of general conditions, 181 ovens with a capacity of over 1,000,000 tons were erected in 1930. The quotas were increased nominally from 26,500,000 tons to 42,000,000 tons, but there was not a market for this output. Consequently the quotas were lowered to correspond with the actual demand. In 1931 there were times when only 16 per cent of the quota could be sold. Many ovens were not intended for operation, but were built merely to obtain a higher quota and were then closed down. The *Frankfurter Zeitung* estimates that over \$75,000,000 was wasted in the erection of unnecessary ovens alone.

The cartelization of industries subject to competition from outside Germany would be ineffective without a high tariff, and this was not lacking. With tariff protection and by limiting production, the cartels were able to maintain high domestic prices amidst a world depression. In April, for example, German domestic coal prices were from 7 to 27 per cent, printing paper about 2 per cent and cement from 18 to 31 per cent above pre-war levels. Iron prices are still higher than before the war and double world market prices. Domestic consumers have found it increasingly difficult to pay these prices, with the result that the decline in consumption has led to a continuous decline in production. From 1928 to April, 1932, total indus-

trial production in Germany declined 44 per cent.

Whereas cartels throw the burden of their losses upon the nation by obtaining indirect subsidies through tariffs, other industries are subsidized directly. The most costly of these direct subsidies was in the building trade. German States and cities financed the building of dwellings and even guaranteed the firms a percentage of profit on the cost of construction. This method naturally encouraged waste, the extent of which may be seen from the fact that from 1925 to 1931 nearly \$5,000,000,000 was spent for dwellings. During the same period \$3,500,000,000 went in erecting public buildings, while the expenditures on industrial building amounted to only a trifle more.

Smaller branches of German industry have received correspondingly smaller subsidies. The Mansfeld Copper Mines are paid \$2,000,000 annually, although operating costs exceed receipts by \$150,000 monthly. The I. G. Farbenindustrie is granted tax exemption for synthetic benzene. Cigarette factories have never paid up their taxes. The Deutsche Luft Hansa, Inc., depends upon subsidies. The shipbuilding companies are aided by the seaport cities. And so the story goes. All this was during relatively good times. After the depression set in the subsidizing of industry became the chief function of the government, which ceased to make public the amounts thus paid out. But a general idea of their magnitude can be gained from a statement made by Chancellor Brüning last Winter: "We had to jump in and support the banks and help individual industrial concerns to an extent far beyond that which we wished and far beyond that which is known to the public."

German agriculture is also subsidized. Here, as in industry, certain groups are favored, while others bear the burden. To aid 12,000 landlords in East Prussia the nation is burdened

with a sum, in the form of tariff subsidies, equal to the cost of Germany's entire food requirements at world market prices. These landowners produce a single crop, rye, and to maintain high prices a tariff system was adopted which benefits them not only at the expense of industry but also at the cost of the farmers producing quality products. The price of wheat and rye in Germany is several times what it is in the United States. To compel other farmers to use rye as feed a high duty was placed on imported feeds. Corn, which sold for 31 cents in the United States in April, cost \$1 in Germany, and similar prices prevail for other feeds. On the other hand, butter, which is produced on small and medium sized farms, was 24 cents a pound in April, or only 2 cents more than in the United States.

In spite of this discrimination, the small farmers manage to earn a profit, though small, while the big landlords must be continuously aided not only by the tariff but also by numerous other forms of relief. Recently another government loan of \$125,000,000 was granted. It will probably never be repaid, for these landlords have never supported themselves and have always depended upon State charity. Before the war they were the landed nobility and the special protégés of the Kaiser. With the establishment of the Polish Corridor, East Prussia again received the special attention of the government, for political reasons.

The government's policy toward labor had necessarily to be in line with its assistance to industry and agriculture. Industrial and agricultural prices are fixed indirectly by the tariff; wages are fixed directly by government officials. By restricting sales on the domestic market the cartels hold prices at the highest level made possible by the tariff; workmen cannot accept less than the collective wage agreements prescribe. The counterpart to subsidies is unemployment relief. The unemployed were cared for

by the Public Unemployment Welfare Service of the cities until 1927. Since then unemployment insurance has protected them—originally for thirty-nine weeks, then for twenty, and now for only six. Thereafter the cities must support them as prescribed by law.

Unemployment in Germany has increased from about 1,000,000 in 1924 to over 6,000,000 last Winter. Between Jan. 1, 1924, and July 31, 1931, the total amount of money paid to the unemployed was about \$2,500,000,000, of which more than half was contributed by the Reich and the cities. This increase in unemployment has been mainly due to the enormous gains in the productivity of labor and capital in a few short years. At the same time no new large-scale industries have been established, while exports have been shut out by industrial development in overseas agrarian countries.

More pertinent to the question of what is happening to German capitalism is the fact that the government has gone into business on an enormous scale. A year ago 20 per cent of the capital stock of corporations was government-owned, and now the percentage is higher. The Reich has a complete monopoly of the railways; the Postoffice Department owns the telegraphs, telephones and broadcasting stations, and practically all cities own their local gas, water and electric works, street-car and bus lines. The railway monopoly is protected by restrictions on privately owned motor-truck lines; the interurban bus lines are operated by the Postoffice Department. The State of Prussia owns 18 per cent of all hard-coal mines in its jurisdiction and produces 10 per cent of the coal; government mines produce one-fifth of the iron ore. Many farms and half of the forests are publicly owned. All larger cities own one or two theatres, at least one bathing establishment and a number of hospitals.

About 53 per cent of the banking

business was in the hands of the Reich, States and cities before the bank crisis of 1931. Only the large chain banks and a few small banks were still privately owned. Today, the Reich, because of last year's support, owns three-quarters of the stock of the Dresdner Bank and participates in the management of the other chain banks. The Deutsche Bank alone required no support.

Foreign trade has lost its free capitalistic nature, not only through tariff restrictions but also by restrictions on the movement of money. The German Government, like many others, requires all inhabitants (also foreigners residing in Germany over six months) to surrender their foreign currency, bills of exchange and foreign bank accounts, part of which in turn it rations among importers. In June importers were allowed a sum in foreign exchange equal to 27 per cent of their imports two years ago, and government regulation of what may be imported is increasing.

Foreign private debts constitute an abiding threat to the German currency and whole German economic system. The creditors demand payment but refuse to take German goods. If this policy is continued the international payment balance cannot be readjusted. In 1932 Germany must pay 819,000,000 marks interest on long-term loans. This increases to 827,000,000 in 1937, and will not fall below 700,000,000 until after 1940. This year, also, Germany must pay 800,000,000 marks on short-term debts. Germany's trade balance has been sufficiently active to meet obligations after a fashion, but exports are falling rapidly and it is uncertain how long foreign nations will purchase German goods. Furthermore, many of the commodities exported are sold at prices below cost and represent a loss to Germany.

Chancellor Bruening, before he was dismissed by President von Hinden-

burg on May 30, tried to bring about a balance between industry and agriculture by extensive domestic colonization. The "industrial reserve army" of the cities was to be assisted in establishing homes and truck gardens within reach of part-time industrial employment, and the flow to the cities of surplus farm population was to be checked by energetic application of the Homestead Law of 1919. This creation of homesteads meant the purchase and splitting up of estates of the 12,000 East Prussian landlords. The landlords have always demanded and received under the Homestead Law land prices based on the value which the land has as a result of the billions of marks of annual national subsidy. But this price is too high for small farmers who receive no assistance and are burdened by duties on imported feed. Yet, although the land has been paid for with subsidies several times over and would be worthless to the landlords if the subsidies were discontinued, Chancellor Bruening was willing to have the homesteaders pay a reasonable price.

By populating East Prussia with a large number of small farmers, who would be able to make a small profit and even to pay taxes if land prices were reasonable, the government planned to relieve the remainder of Germany of the East Prussian burden, to find an outlet for the surplus population, to establish a dam against Polish settlement in East Prussia and to create a market for local industry. The President disapproved of this and Bruening was relieved of his post. The present Chancellor, Baron von Papen, is a friend of the landlords, and this piece of economic planning has, therefore, been suspended. But it must be undertaken eventually if Germany is to regain its economic and political power. So far the von Papen Cabinet has merely decreed an increase of taxes on all wages and salaries below \$175 per

month, a tax on salt of $1\frac{1}{2}$ cents a pound and taxes on sales of less than \$1,190 annually (hitherto exempt). The decree also reduces the unemployment insurance and public welfare benefits. Food prices remain as heretofore.

In Germany the belief prevails that under the present system the direction of private business by government decree cannot continue. On the other hand, the German economy, as it is organized today, is unable to adjust itself. The automatic correctives of the capitalistic system no longer function. If the government should attempt to dissolve the cartels they would most probably find other means of carrying on their monopolistic practices. Even if they could be dissolved, individual firms would increase production, with the result that most of them would become insolvent and the situation would grow worse. The chain banks operate according to regulations issued from headquarters; any one who can furnish security receives a loan, and the overexpanded cartels receive special attention. Credit is no longer granted on the basis of the needs of German business as a whole, even if the bankers knew what those needs are, which they do not.

If this analysis of the present situation is correct, the future economic system of Germany must assume one of two forms: either it must return to a genuine capitalism, or the present system will be brought to its logical conclusion and be entirely reorganized according to a rational plan.

The return to capitalism does not depend only upon Germany. It rests also upon the two measures that can be adopted by other countries. First, the peace settlement of 1919 must be replaced by a new treaty which will liquidate war debts. Second, tariffs throughout the world must be lowered. Liquidation of the war debts alone would be insufficient, though it would restore confidence in interna-

tional trade, cause capital to flow to countries which need it, induce capitalists in Germany to put their money back into business, and lessen unemployment. But Germany as a whole would not be much better off than she was in 1926-28. During those years confidence was more or less restored in international trade; yet Germany had about 2,000,000 unemployed, with the number increasing, while the middle class was rapidly disappearing and business was gradually being strangled by cartels, by wage-fixing and by the government's agricultural policy. These restrictions on business were possibly only behind a tariff wall.

The ideal solution would be a return to the pre-war times when Europe exploited the overseas agrarian countries, but that is hardly possible. Some believe that as an alternative Europe should form a customs union, or at least that those European countries which seem more or less to adjust themselves to one another economically should form regional unions. This might bring temporary relief, but the political uncertainties are too great for economic recovery on this ground alone, and, furthermore, the economic possibilities of such a plan are limited. So far international negotiations toward removing trade barriers or establishing a customs union have been unsuccessful, and the nations have thereupon shut themselves off from each other more effectively than before. Will new attempts be more successful? If they are not, the days of capitalism in Germany are indeed numbered.

The only other hope for Germany is central planning. Planning has, in fact, passed the academic stage in Germany and is extensively applied, as is evident from what has already been said. However, it has been faulty and has lacked thoroughness. The Nazi party has recommended a system of economic planning which has widespread support throughout the

Reich today. At present German industry depends on exporting 40 per cent of its output. The Nazi economic plan would balance the various branches of industry and agriculture on a domestic basis, instead of relying upon an international balance. To insure consumption, the social product would be more equally distributed among all classes and sections of the people. The Nazi scheme emphasizes domestic mass consumption, and this could be attained only if the entire economy—production, marketing and consumption—were controlled.

Foreign trade would be under government supervision, and Germany would export goods in exchange for the raw materials she needs and for the finished and semi-manufactured goods she cannot produce economically. It is hoped that many imported raw materials will soon not be required, that synthetic benzine will replace imported gasoline, and that substitutes will be found for imported metals.

With regard to agricultural products Germany would be practically self-sustaining under a planned economy. This condition could be quickly accomplished by using the Friedrich Bergius process of making sugar and other carbohydrates from wood. Only a part of the waste wood in German forests would be required to produce all the feed for cattle and the sugar that the country needs. The area now used to grow sugar beets and feed would become available for such products now raised in insufficient quantities, and Germany would lack only tropical and subtropical products. The Bergius process is not exploited at present because it would ruin thousands of sugar beet growers. Under a planned economy the government would introduce revolutionary inventions, but would reorganize production beforehand, and if necessary, assist those affected by the necessary readjustment. In industry many rev-

olutionary inventions are locked up in safes because they would reduce costs to a fraction and thereby wipe out private profits on existing investments, which are necessary under the capitalistic system.

The Nazi scheme of industrial reorganization has as its initial object the elimination of the present waste of labor and materials by large concerns. There would be compulsory work for every one and the practice of discharging men when business is slack would no longer be permitted. Furthermore, the Nazis look forward to the decentralization of capital in order to prevent the massing of people in large cities. Although the location of raw materials, labor and markets and the technical efficiency of plants would be considered, production would be decentralized, even if it became thereby less efficient, for the spiritual welfare of the people. Greed and the private profits of so-called "successful" individuals are to be stamped out. The banks would be government-owned, and interest abolished. Of capitalism there would then remain only its technology.

Apart from economic forces the change from one system to another depends upon the will of the people. In Germany the adverse economic conditions of the past fourteen years, and more especially of the past three years, have caused the desire for a change. The younger generation of Germans was robbed of its youth. Large numbers of professional men, technicians and skilled workers are out of work. Unemployment and no future even for the employed—that is the situation in which the people of the German middle class find themselves today. What is more, they realize that under the present system there is little chance of their improving their position. Little wonder that millions of German citizens are ready to dispense with their capitalist system.

BERLIN, June 21, 1932.

The World's Shifting Gold Reserves

By D. W. ELLSWORTH
Assistant Editor, The Analyst

THE explanation of the breakdown of the gold standard in many countries, together with the antecedent and subsequent international gold movements, is at once simple and complex. Immediate causes fall glibly from the tongue of any one who has followed post-war financial developments with reasonably close attention, but probably not more than a dozen persons in the world understand, with any degree of thoroughness, the underlying causes, and even in this select group opinions differ amazingly. Some of the world's most famous economists are members of the Gold Delegation of the Financial Committee of the League of Nations. Yet after studying the problem for years before and after the breakdown, they are unable to agree either as to causes or remedies. Witness some of the causes mentioned by the majority of the delegation in the report issued in Geneva in June:

- War inflation;
- Post-war deflation;
- Subsequent credit expansion and its collapse;
- Distrust of monetary and financial institutions;
- Wrong choice of currency stabilization levels;
- Subsequent economic readjustments, including the relation of internal to external prices, the balance of commodity trade, and the level of wages in relation to prices;
- Accumulations of State debts;
- Increased international indebtedness;
- Shifting of investments from long to short term;
- Increased fixed charges of industry;
- Falling commodity prices;
- The nervousness and flight of short-term capital from country to country;
- Changes in demand and supply of international capital;

- Careless investment of capital and careless assumption of debt burdens;
- Continued instability of a number of currencies—before the recent breakdown;
- Variations in domestic business conditions, particularly in the United States, causing rapid shifts in the stream of foreign investments;
- Profound changes in the structure and localization of industries, both primary and manufacturing;
- Increasing complexity of the processes of manufacture;
- Attempts at artificial price control, encouraging overproduction, especially in agriculture and mining;
- Resort to government support and economic nationalism;
- Tariffs, prohibitions and bounties;
- Exchange control and subsidies;
- Premature restoration of the gold standard.

In a lengthy note of dissent three members of the Gold Delegation—Albert Janssen of Belgium, Sir Reginald Mant of India and Sir Henry Strakosch of Great Britain—disagreed completely. In their opinion the causes listed in the majority report are not causes at all, but are merely the results of the maldistribution of gold.

To obtain any adequate idea of the extent of this maldistribution—if it is maldistribution—the major gold movements since the beginning of the World War must be taken into account.

The United States during the post-war period accumulated about half of the total monetary gold stock of the world. If we divide the gold movement to and from this country into six periods, we find that in the first, from the end of 1914 to June, 1917, our monetary gold stock rose from \$1,807,000,000 to \$3,220,000,000 as a

result of gold being the only means by which the United States could be paid by other countries for war materials and other goods. After the war there was an outflow which reduced the gold stock to \$2,841,000,000 at the end of April, 1920. Then followed the third and major post-war movement—from April, 1920, to November, 1924, during which the flight of capital from European nations whose currencies were depreciating, together with our persistently favorable balance of trade, increased American gold stocks to \$4,527,000,000. It was in this period that the United States acquired practically all the newly mined gold supplies of the world, since all other important countries were off the gold standard.

The fourth movement, which lasted from April, 1927, to June, 1928, saw our monetary gold stock drop from \$4,610,000,000 to \$4,109,000,000, an outflow which resulted largely from the easy money policy initiated in 1927 by the Federal Reserve Banks for the purpose of assisting foreign central banks to restore and maintain the gold standard. This policy, however, started an unprecedented speculative boom, which attracted capital, and consequently gold, to the United States from all over the world. The resulting inflow carried the monetary gold stock of the United States eventually to its all-time high record of \$5,015,000,000 on Sept. 15, 1931.

The suspension of gold payments by the Bank of England in the Fall of 1931 was followed by the final and most spectacular shifting of central bank gold reserves in the history of the world. In this final phase the monetary gold stock of the United States experienced a net loss of \$1,106,000,000, until on June 15, 1932, it stood at \$3,909,000,000.

The main point of interest, aside from the heavy drain of gold from the United States is, of course, the recent movement toward France, Belgium, Holland and Switzerland. In order to analyze the reasons why gold flowed

to those countries in such substantial amounts, it is again necessary to trace briefly certain post-war financial developments.

One of the most important was the adoption by many countries of the gold-exchange standard in place of the traditional straight gold standard. The gold exchange standard means that central banks, instead of keeping gold in their vaults as backing for note circulation, deposits and other liabilities, are permitted to hold the whole or a part of their reserves in the form of bills of exchange on other gold-currency countries.

The gold exchange standard was not new; in fact, it had been in use in a few countries for many years before the war. Its main object was to economize in the use of gold as a basis for credit, but its post-war development was, to a greater extent than before, facilitated by fears of a gold shortage and, more specifically, by the recommendations of the economic conference of the European States at Genoa in 1922 which advised the adoption of the gold-exchange standard by countries which were too weak to venture a return to the gold standard or to whom the expense of maintaining the gold standard would be excessive.

The adoption of the gold-exchange standard in part by countries seeking to stabilize their currencies was advantageous in a number of other ways, the most important of which was the manner in which it enabled central banks to acquire and maintain control over foreign exchange transactions. In attempting to stabilize their currencies in the period from 1924 to 1928, therefore, various central banks made use of this new-found instrument.

When the French Government, for example, finally succeeded in balancing its budget and there was every indication of a turn for the better in the French financial situation, it was possible for the Bank of France to issue franc notes and with these notes—which incidentally were merely the

product of the printing press, since France had not formally returned to gold—to buy foreign bills of exchange and to acquire bank deposits in foreign countries, especially in England and the United States. Foreign speculators and French nationals who had previously converted their liquid capital into dollars and pounds when the franc was depreciating, were eager purchasers of franc currency because of well-founded belief that the franc was about to appreciate in terms of other currencies.

By this method—there is no other adequate explanation—the Bank of France at the end of 1928 had built up its holdings of foreign exchange and sight balances abroad to the enormous total of about \$1,280,000,000. Other countries, notably Belgium, Holland and Switzerland, also acquired abroad substantial balances of a similar nature.

Another development which, as emphasized by the recent report of the Gold Delegation, has profoundly affected the gold position of various countries, has been the tendency on the part of private individuals and business firms to invest in short-term rather than in long-term securities. This shift, for the most part, has been a comparatively recent development and has followed in the wake of financial disturbances in various parts of the world which have lessened confidence in bonds and have driven funds for safe keeping into short-term issues or bank deposits. To the extensive central bank holdings of foreign obligations, therefore, was added a large amount of private short-term capital.

Following the stabilization of the franc in 1928 and the return of practically all countries to the gold standard, these balances, as we have seen, tended to concentrate in the United States. Moreover, the United States and France were the largest recipients, on balance, of war debt and reparations payments, and the trade

balances of both nations continued favorable.

The flow of gold to France was accelerated in the first half of 1929 by the decision of the Bank of France to convert part of its sterling holdings into gold and to bring the gold home. This loss of British gold caused widespread anxiety at that time because it reduced the gold reserve below the so-called Cunliffe minimum (£150,000,000). But the collapse of the American stock market boom in the Fall of 1929 replenished the Bank's gold reserve through the return of short-term funds from the United States. The British gold crisis was thought to be definitely past, but later events prove that the withdrawal of funds from the British market in 1929 was only the forerunner of another and mightier outflow which finally, in September, 1931, forced England to suspend specie payments.

The first audible tremor of the imminent financial earthquake was, of course, the failure of the Creditanstalt in Austria in May, 1931. A banking failure in a foreign country seems mysterious and mystifying, especially to Americans who so trustfully invested in sound foreign securities in the halcyon days before the Autumn of 1929. But a foreign banking failure is just as prosaic as those with which the American public have become all too familiar. If the high-sounding terms with which current discussion of international financial matters is usually obscured were brushed aside, we should doubtless discover that the failure of the Creditanstalt was just an ordinary bank failure—loss of confidence by depositors and heavy withdrawals which the bank was eventually unable to meet.

What was really unusual about this particular bank failure was the size of the bank and the light of revelation it threw on the financial position of Austrian and German banking insti-

tutions. People also realized for the first time the tremendous stake that American and British investors had acquired in Germany and Austria. Those who did not understand the seriousness of the situation were made fully aware of it when, toward the end of June, 1931, the Hoover moratorium announcement advertised to the world that a crisis was at hand.

Now began the final and most spectacular of post-war gold movements. A flight of capital from Germany reduced the Reichsbank's gold reserves from nearly \$600,000,000 to below \$200,000,000, where they stood toward the end of June, 1932. With British short-term funds tied up in Germany by the moratorium, a flight from the pound began which in September forced the Bank of England to suspend specie payments.

The British suspension in turn, and for good reason, resulted in a momentous decision by the Bank of France. As the pound dropped sharply in terms of gold, that bank lost heavily in the value of its British balances. Consequently, it decided immediately to repatriate all its foreign balances, which meant, of course, the heavy withdrawal of funds from the United States. Other countries operating partly on the gold-exchange standard followed suit. Early in June, 1932, it was announced that the Bank of France had completed the repatriation of its American balances, except for gold held under earmark for its account; thus came to a close the sixth great post-war movement of gold to or from American shores.

Statistics show, however, that the increases in the gold reserves of the central banks of France, Belgium, Holland and Switzerland have greatly exceeded the decreases in their holdings of foreign exchange and sight balances abroad. This indicates that private funds have also been withdrawn from the American money market and deposited in French, Belgian, Dutch and Swiss banks—a con-

clusion substantiated by a recent report of the Department of Commerce which shows that in the calendar year 1931 foreigners withdrew from the United States a total of \$1,275,000,000 in deposits and short-term investments. "Available data," the report said, "indicate that this tremendous withdrawal of foreign funds from the United States took place chiefly in the second half of the year and was very largely a result of the European financial crisis which broke in May when the condition of the Austrian Creditanstalt became known and of the suspension of gold payments by England and several other European countries four months later." The loss of gold from January to June of this year was apparently also in part the result of further withdrawals of short-term investments.

At the end of 1931 foreign short-term investments had been reduced to \$1,462,000,000 from \$2,737,000,000 at the end of 1930. Allowing for the further decline which must have occurred in the first five months of 1932, it would seem that the present total is at or close to an irreducible minimum. In other words, it approximates the minimum necessary for carrying on ordinary commercial transactions between the United States and foreign countries, even with the present greatly reduced volume of foreign trade. Thus two of the most important causes of gold exports from the United States have been eliminated.

Except for the rather remote possibility of a domestic flight from the dollar, only two other possible causes remain. The first is the position of the Bank of England, which at present is in a position similar to that of the Bank of France before the stabilization of the franc. The Bank of England could, by the simple process of increasing its note circulation, take advantage of every speculative upward movement of the sterling exchange rate to acquire foreign exchange. Already the British Treasury

and the Bank have in concert established a fund for the "control" of the pound exchange rate. The weekly statement of the Bank of England suggests that since early in 1932 it has acquired about £50,000,000 in bills of exchange on other countries.

The statement also suggests, however, that the Bank of England will follow a different course from that pursued by the Bank of France in building up its gold reserve. The French manoeuvre was a gigantic speculative operation which succeeded because it was conducted when the world was prosperous and monetary conditions were generally favorable. Today conditions are vastly different, as British bankers are well aware. It is likely, therefore, that the Bank of England will build up its gold reserve gradually by buying newly mined gold in the London market, and by continuing to take full advantage of the gold which the depreciation of the Indian rupee has brought out of hoarding. This method, indeed, has already resulted in an increase in the amount of gold coin and bullion held by the Bank of England from a low point of £121,156,000 on Nov. 18, 1931, to £136,953,000 on June 29, 1932. Future efforts of the Bank of England to restore the gold standard will probably not cause any such sudden disturbance of American gold reserves as that occasioned by the recent repatriation of French balances.

The other possible source of losses to the monetary gold stock of the United States is domestic hoarding. Thus far hoarding in the main has taken the form of the withdrawal of paper money from circulation, but the passage of the Glass-Steagall bill and the formation of the Reconstruction Finance Corporation were thought to have ended this. Recently, however, there has been a renewed increase in bank failures and an increase in money hoarded. The Reconstruction Finance Corporation has evidently, either from choice or necessity, adopted a new policy with respect

to the support of weak banks. Where, as early in its existence it attempted to save practically every bank threatened with deposit withdrawals, it has in recent weeks permitted a large number of small banks to fail. If the public should now turn to the hoarding of gold certificates or gold coin, it would obviously constitute a renewed threat to the monetary gold stock of America. It is highly improbable, however, that the confidence of the public in any of the large or moderate sized banks will weaken to such an extent as to cause hoarding of that nature on any substantial scale. And should there, on the contrary, be a turn for the better in the general business situation, there would almost certainly be an exceptionally rapid return flow of currency to the banks.

We have become so accustomed to large-scale international gold movements that we no longer realize their extraordinary nature. Before the war only comparatively small gold shipments were required to settle international trade balances and to keep foreign exchanges within the gold points. Whether a symptom or a cause, present-day gold movements are abnormal and there can be no stability until they are greatly lessened. To this end the report of the Gold Delegation concludes:

The fundamental necessity for the creation of a more effective international monetary system is the re-establishment, not so much of the technical processes of monetary interchange as of the willingness to use these processes. The working of an international monetary system such as the gold standard presupposes the interdependence of nations. If, however, political conditions are such that nations hesitate to commit themselves to too great interdependence one upon the other, but impose rigid restrictions upon international trade in their effort to attain economic self-sufficiency, there will be little scope for any international monetary mechanism. * * * Without some measure of political settlement leading to renewed confidence in international economic and financial relations, there can be no secure basis for the restoration and improvement of world trade and finance.

Cuba's Economic Isolation

By WILLIAM L. SCHURZ

Former American Commercial Attaché at Buenos Aires

TIME and the clash of realities have almost dispelled the sentimental aura that has long enveloped Cuba in the American imagination. The United States of Coolidge and Hoover and the Utah Senators looks on Cuba with different eyes than did the generation of Roosevelt and Root, of Taft and Leonard Wood. During the Cuban struggle against Spain American sympathies were with the island; for a few short weeks Cubans and Americans fought side by side, and later the United States guided Cuba along the thorny ways of self-government. But today Cuba is only a playground for Americans on vacation and a competitor of the sugar industry of the United States.

Since the nineties new influences have brought about an objective attitude toward Cuba, replacing the "big brother" sentiment of the last generation. American policy toward Cuba is now realistic, in spite of occasional protestations of "good-will" toward the island republic. Actually, the United States has no more "good-will" for Cuba than it has for Lithuania or Liberia; the United States is Cuba's friend only so long as she contributes to the ends of American national policy and does not compete with American business. To ascribe any other motive to the American attitude would be hypocrisy; for the Cubans to assume any other would be only self-delusion.

Yet, nature and history have bound the life of Cuba to that of the United States. The relationship might have been mutually advantageous but for the material disparity between the two countries and the self-interest

that dictates the policies of nations. Logically, Cuban sugar and other products of her soil should be exchanged for American manufactured goods; at the turn of the century, such an arrangement seemed probable and promised a reasonable prosperity to the young republic. But now it is American policy to produce, as far as possible, commodities formerly purchased from Cuba.

As it was in the order of things that the United States should complete the liberation of Cuba, so was it that America should dominate her life as an independent nation. Cuba's only possible escape was in maintaining the agricultural economy of colonial days, with the simpler style of life that it implied. If the standard of living was to be raised above that of the easy-going plantation system, the price of entering into partnership with the United States had to be paid. Cuba's position as a minor partner in such an arrangement would necessarily entail a certain subjection to the moneyed member of the firm. Such a condition was implicit in the formal contract between the two countries, known as the Platt amendment, and was inherent in the very nature of their relationship. But the United States needed sugar and Cuba could supply the need; moreover, Americans could sell to Cuba the manufactured goods needed to raise her standard of living. It seemed a fair and natural bargain, whereby the deficiencies of the one would be supplied by the other.

With the resulting increase of profits in the growing of sugar, more and more American capital was invested in the Cuban industry, until Americans

controlled about two-thirds of the island's production. Shrewd old Edwin Atkins, who owned Central Trinidad while Cuba was still a colony of Spain, and later organized the Punta Alegre Sugar Company, showed the way. Other groups followed with their chains of mills—Cuba Cane, Cuban American, Cuban-Dominican, American Sugar Refining, General Sugar, Hershey and the far-flung United Fruit. They soon dominated the industry in the Provinces of Camaguey and Oriente, though the Cubans retained control from Santa Clara west.

American citizens invested over \$1,000,000,000 in "centrals," land and the equipment required for large-scale sugar production, including private railways and towns for workers. Sometimes the American banks, which had lent money to the original owners, were forced to take over the properties and run them, or to unload them on the American public. New machinery was installed, and the big mills, like Cunagua, Vertientes, Jatibonico, Chapsarra and Preston, became almost as technically perfect as possible. Night and day during the grinding season an endless stream of cars fed cane into the crushers, until single mills turned out 500,000 bags or more. Cuban production rose to 4,000,000 tons, and, after the World War had increased the impetus, reached an even higher figure.

Things went well enough as long as the price of "raws" was maintained on Front Street. But overhead and fixed charges cut heavily into gross earnings; there was serious overcapitalization in some instances, and the sums left for dividends were not always large. Only the old Cuban mills, with their lower operating costs and closer relations with the *colonos*, or cane growers, could show a profit if hard times should strike the sugar industry. But the Americans were frankly concerned about the future returns from their vast investment.

Today most of the great sugar com-

panies are in the hands of receivers and must be reorganized to meet new conditions in the industry—a situation which developed three years before the crash in Wall Street and the general collapse of commodity values. World overproduction finally overwhelmed sugar, as it had rubber, and later coffee, wheat and nearly every other staple of commerce. But even in good times there was far too much sugar.

Cubans expected to find in the United States a practically unlimited market for their output. In 1898 the only domestic American sugar was produced in Louisiana, but the Louisiana industry could meet but a small part of the American demand and survived foreign competition only by means of a mercifully high tariff. Then Puerto Rico, the Philippines and Hawaii—all highly suited to the cultivation of sugar cane—came under the American flag, and, even more ominous to the Cubans, farmers began to plant sugar beets in the Western United States. By 1910 the beet sugar States were producing nearly 500,000 tons of sugar a year. Their spokesmen in Congress, headed by Senator Reed Smoot of Utah, have been a guarantee that, if necessary, there would be ample tariff protection against Cuban sugar.

The Hawley-Smoot tariff of 1930 increased the duty on sugar to 2 cents per pound. As the price of raw sugar at this writing is 66 cents per 100 pounds, cost and freight New York, the present duty amounts to over 200 per cent ad valorem. The fact that the sugar industry in Cuba is predominantly an American enterprise means little to Congress and the tariff commission. To them it is simply a Cuban concern, and the Cubans have no votes on the American side of the Florida Straits. The logic of Congress is that if American capital and enterprise insist on going outside the country, they must face the consequences.

In 1931 the United States used in

one form or another 5,475,000 tons of sugar. Of this amount Hawaii supplied 806,000 tons, the Philippines 680,000 tons, Puerto Rico 624,000 tons, Louisiana 172,000 tons and domestic beet sugar 1,120,000 tons. Cuba's share of the American sugar business in 1931 was 37 per cent; in 1927 it was 55 per cent. Since America is still the principal market for Cuban sugar, the prospect of further expansion of the American duty-free sugar industry naturally fills the Cubans with apprehension.

If the Cubans seek to sell their surplus production elsewhere, the outlook is discouraging. The so-called "open markets" for sugar are rapidly disappearing, and competition from Java, Czechoslovakia and other countries is increasingly severe. Sugar can be, and is, produced, either from beets or cane, anywhere from Finland to the Amazon Valley. Albania, Afghanistan and Uruguay are about the only countries without a native sugar industry. Every other country seeks to produce enough sugar to supply its own requirements, and, to that end, domestic production is encouraged by high tariffs, and often by bounties. Some of these protective tariffs make the American seem low indeed, as any one would learn who tried to send sugar into Brazil, Spain or Australia.

The British Empire as a market for foreign sugar is doomed if the policy of imperial self-sufficiency is successful. Great Britain can draw sugar from Jamaica, Demerara, Trinidad, Mauritius and tropical Africa, not to mention her own beet fields. Except for Canada, the Dominions are independent of foreign supplies, and Canada favors British West Indian sugar against Cuban.

Faced with an ominously declining foreign market, the distracted Cuban Government has resorted to various devices in a desperate effort to restore the era of profitable prices. Restriction of production, the establishment of an official selling agency and an international agreement to curtail

output have been tried. The latest experiment—the Chadbourne plan—is still under negotiation, but the reluctance of the Dutch in Java to sacrifice the advantage presented by their low production costs makes its success highly doubtful.

Certain things, however, can be done to save the Cuban industry from disaster. The sugar companies, which now are so distressed, will have to be radically reorganized on the basis of a reduced capitalization and placed on a footing more in line with the conditions likely to prevail in the future. To reduce costs of production, efforts must be made for greater efficiency in the growing and harvesting of the cane. Production should be rigorously held down by limiting new plantings and by refraining from increase of mill capacity. These remedies are familiar to every one in the industry, and isolated individuals have attempted to put them into effect.

Cuba is no happier in her other exports. Any considerable expansion of the tobacco business is improbable. Hostile tariffs, competition of other tobaccos for the high-class filler trade and the trend to cigarettes—these are some of the sorrows of an industry that has existed since Columbus reported the natives as lying in hammocks and smoking a pleasant-smelling weed. In the United States the Corona Corona—once a mark of urbane hospitality or a dignified form of bribery—is being supplanted by heavily advertised and cheaper domestic brands.

The expectations of a profitable market for Cuban fruits and early vegetables have not been realized, though single shipments at times may have been lucrative. Florida and Texas will not permit the developments of so dangerous a rival for this business, and the only concessions made to Cuba are during the short period of the Winter, before early domestic vegetables are ready for the Northern market. Hawaii grows pineapples by the hundred million, and

Puerto Rican grapefruit, like that of Florida and Texas, is grown within the American tariff wall.

Not only do American interests control the Cuban sugar industry, at least on its manufacturing side, but they dominate nearly every other important field of business enterprise in the island. Public utilities are almost entirely in American hands. The largest hotels were built by American capital; American money is invested in tobacco and fruit, in mines and manufactures, and in amusements and government securities. The total stake of the United States in Cuba is about \$1,500,000,000.

Since the logical development of Cuban foreign commerce, as dictated by the proximity of the island to the United States, can no longer be expected, the Cubans must reorient their national economy. Otherwise a return to the simpler agricultural economy of colonial days, with a sacrifice of the higher standards of living attained since 1900, is inevitable. Annexation by the United States is too remote to be considered. The same interests which bar Cuban products from America would resist even more vigorously the incorporation of Cuba's productive power into the American economic system. The assimilation of Cuba's population would present an almost insuperable social problem, and, finally, the effect on American relations with the rest of Latin America would be disastrous, as the accusations of our most bitter critics would thereby seem fully justified.

For the Cubans two possible ways are open. They may strive to develop their trade with countries other than the United States and they may diversify their own production in the direction of greater self-sufficiency. They are trying to do both, but this solution of their problem is not so simple as it would appear.

The preferential tariff arrangement with the United States, which is embodied in the Platt amendment, does not permit Cuba to negotiate com-

mercial treaties that might favor exports to other markets. Even if Cuba should make concessions to another country in return for advantages for her own products, the United States automatically would receive similar favors, while still retaining over other nations the 20-30-40 per cent preferential in the Cuban tariff. At any rate, Cuba could derive few benefits for sugar from negotiations of this kind. Tobacco is no better to bargain with, because the leaf of Pinar del Rio is too good for most of the foreign demand. Since all great powers with tropical colonies seek to derive tropical or subtropical products from them, these increasingly self-contained empires offer poor market prospects for the tropical raw materials of an independent nation like Cuba.

The alternative of diversifying the economy of the island in order to make it less dependent not only on its export trade but also on imports from other countries offers better chances of success. Yet there are difficulties here, too. Traditionally, sugar has been the foundation of Cuban economy, and it is difficult to change the outlook of a people who think in terms of a single great staple which once gave them a glimpse of prosperity. Cubans still cherish their dream of the "Dance of the Millions"—when sugar rose to over 20 cents a pound—and they hope that a turn of the business cycle may bring them again to "happy days."

Furthermore, farmers so accustomed to one culture are reluctant to cultivate new and unfamiliar crops, since that entails learning new methods and perhaps buying new tools and implements, a serious problem for a farming class without reserves of capital. Moreover, the market prospects for a new crop are uncertain—the farmers are distrustful, both of the government's advice and of the commission merchants to whom they would have to sell their produce. Finally, they reason, cane is a cash

crop, however slim the returns may be; it is as truly common currency as the American dollar, and, once planted, it will produce for ten or twelve years.

Yet, already much has been accomplished. Imports of coffee, which until recently amounted to several million pounds a year, have been cut to an insignificant figure, as a result of the maturing of new plantations in the Province of Oriente and an early surplus for export is now anticipated. The expansion of the local dairy industry has greatly reduced the importation of canned milk, while cheese is being manufactured in increasing quantities. Beginnings have been made with the cultivation of rice. The canning industry is being developed, and more attention is being given to the raising of cattle and hogs. Enough has been done to show that, except for imports of flour, Cuba could practically feed herself. These conditions, of course, will mean less business for American exporters.

There are clearly marked limits to the possibilities of manufacturing in Cuba. The insular market is capable of absorbing factory production in only a few elementary lines. Some of the attempts at industrialization have been ill advised and unjustified by the country's development or by the extent of the local demand. On the other hand, the results of some manufacturing enterprises have shown the country to be capable of producing certain goods, such as soap, furniture, shoes, cordage, cement, paint, paper, shirts and collars, proprietary

medicines, toothpaste, rum and beer. Some of these are made by American branch factories and others by concerns financed by American, Spanish or Cuban capital. One of the most enterprising American residents of the island plans to manufacture cotton textiles.

In order to compensate partially for the prolonged slump in her export markets Cuba has capitalized her climate and her foreign atmosphere with such success that Cubans now call *el turismo* the island's second crop. Prohibition and the rocketing stock market of the late 1920s attracted thousands of Americans to revel in the drinking places of Havana. The repeal of the Eighteenth Amendment would be a serious blow to this kind of tourist business, but there remain the neo-Spanish heritage in stone and speech and the beauty of what Columbus called the "fairest land that human eyes have seen." Cuba is fortunate, also, in that its charms can be reached and enjoyed within the limits of the average American two weeks' annual vacation and of the middle-class pocketbook.

The Cubans will have to find their own way out of the nation's economic dilemma. They should expect no help from the United States or from any other quarter. At present the cards of international trade are stacked against them, and only an unlikely reshuffling would again give them a fair chance. Meanwhile, the task lies at home, and it requires facing uncomfortable facts, steadfastness of purpose and better leadership than has recently been in evidence.

How Real Was Our Prosperity?

By ABRAHAM EPSTEIN

Executive Secretary, American Association for Old Age Security

EXACTLY how great was our one-time prosperity, and how widespread were its blessings? Knowledge of the facts may disillusion us about our naïveté in 1928, but it will give us a true perspective and help us to face clearly the issues of 1932 and 1933.

What were some of the essential points upon which our claims for prosperity were based? Among the most important of these beliefs were the following: That American workers were receiving higher wages than ever before and far above anything known in foreign countries; that wage-earners were laying aside larger and larger savings; that Americans were buying new insurance by the billion that would secure them against all emergencies; that workers were buying stocks of the companies by which they were employed and were opening banks of their own as a first step toward the control of industry; and that American workers were enjoying luxuries such as bathtubs, automobiles and radios, which were undreamed of by workers in foreign nations.

These beliefs were so widely held that President Hoover actually promised the complete abolition of poverty during his sojourn in the White House. Economists like Professor Thomas N. Carver of Harvard were convinced that we were on the threshold of a "new economic revolution" which was "to wipe out the distinction between laborers and capitalists by making laborers their own capitalists and by compelling most capitalists to become laborers of one kind or another, because not many of them will be able to live on the returns from capital

alone." Bankers like Francis H. Sisson, vice president of the Guaranty Trust Company, believed that the "diffusion of property ownership means that American industry is gradually being socialized. The working man little by little is strengthening his hold on the instruments of production and is becoming his own employer." How much truth was there in these cheering assertions?

It was repeatedly asserted that wages in the United States were extraordinarily high compared with those paid abroad. Such monetary comparisons, however, were meaningless without consideration of the different standards of life. Conditions in Europe are obviously altogether different from those in the United States. Many items that are exceptionally costly here are comparatively unimportant in the budget of the European worker. The American wage-earner, for instance, has to spend from one-fifth to one-third of his wages on rent; the European worker rarely spends more than 10 per cent of his wages on this item. Clothing, food and amusements are all comparatively more expensive in this country. Even the cheapest movie costs three to five times as much as a glass of beer in a European café. Insurance protection, which is also given to foreign workers either without expense or at a nominal cost, is exorbitantly high in the United States.

The writer has recently examined sixty budget studies made during the past decade upon the minimum sums required by an American family for the maintenance of a decent standard of living. Eight of these estimates

were made by the National Industrial Conference Board, an employers' association; the United States Government was responsible for eleven estimates, while the rest were made by economists and private organizations throughout the country. Only two of the sixty budgets required less than \$30 per week for the groups studied. The estimates made by the National Industrial Conference Board ranged from \$25 to \$40.75 a week, with an average of \$33.41, which is equivalent to \$1,737.32 a year. The government's estimates averaged \$36.85 a week. If the estimates are taken as a whole and on a conservative basis, the average worker's requirement for a standard of minimum decency throughout the decade was between \$35 and \$40 per week, or from \$1,820 to \$2,080 a year.

The discrepancy between these estimates of minimum budgets and the actual earnings of large classes of workers is astounding. The following table, prepared from data collected by the National Industrial Conference Board, shows what the wage-earners in twenty-four manufacturing industries, employing approximately half the wage-earners in the United States, actually received during the last decade:

EARNINGS OF WAGE EARNERS IN TWENTY-FOUR MANUFACTURING INDUSTRIES.

| | Actual Average Weekly Earnings | Yearly Earnings (If Employed 52 Weeks Per Year) | Index of Em- ployment (1923=100) | Estimated Yearly Earnings Corrected for Unem- ployment |
|--------|---|---|---|--|
| 1920.. | \$29.34 | \$1,525.68 | 101.4 | \$1,525.68 |
| 1921.. | 23.82 | 1,238.64 | 74.5 | 922.78 |
| 1922.. | 24.29 | 1,263.08 | 91.1 | 1,150.67 |
| 1923.. | 26.61 | 1,383.75 | 100.0 | 1,383.75 |
| 1924.. | 26.45 | 1,375.40 | 91.9 | 1,263.99 |
| 1925.. | 27.08 | 1,408.16 | 95.7 | 1,347.61 |
| 1926.. | 27.42 | 1,425.84 | 98.0 | 1,397.32 |
| 1927.. | 27.53 | 1,431.56 | 93.4 | 1,337.08 |
| 1928.. | 27.88 | 1,449.76 | 92.8 | 1,345.38 |
| 1929.. | 28.52 | 1,483.04 | 100.2 | 1,483.04 |
| 1930.. | 25.84 | 1,343.68 | 86.0 | 1,155.56 |

Bearing in mind that the sixty budget estimates indicated that the mini-

mum annual income required for decent subsistence was from \$1,820 to \$2,080, we see that not in a single year of this decade of so-called highest prosperity did annual earnings approach even the lower of these limits. The highest earnings, \$1,526 in 1920, fell \$294 short of the lower limit, and in 1921 actual earnings amounted to only \$923, or to about half the necessary minimum. In 1923, the so-called normal year of the decade, actual earnings were only \$1,384, or 24 per cent less than the lower limit of minimum budgets. In 1928, the peak year of so-called prosperity, the actual earnings of workers in manufacturing industries were still nearly \$500 short of the minimum standard of decency.

Even compared with the average minimum requirement of \$1,737 computed from the eight estimates of the National Industrial Conference Board, actual earnings were very low. In 1920 they were 12 per cent below the minimum set by this employers' organization; in 1921 they fell short by 47 per cent, in 1923 by 20 per cent and in 1930 by 33 per cent. A similar story is told by the earnings of railroad workers, the aristocrats of American labor.

The budget estimates were based on the needs of an average family of from four to five persons living on the income of one wage-earner. It is frequently argued that many families have less than three children or have more than one bread-winner. It must be remembered, however, that the American standard presupposes no supplementary earnings of either the wife or young children, for we have always boasted that in the United States the wife is a homemaker rather than a wage earner and that children are being given an education instead of spending their youth in factories or mines. In fact, only 1,920,000, or 9 per cent, of the 21,319,000 married women were gainfully employed in 1920. Moreover, even if some American families have less than five per-

sons or more than one bread-winner, what of those with three or more children dependent upon the father's earnings?

Studies of budgetary standards and actual earnings show conclusively that in the last decade only a very few of our workers have ever earned enough to maintain themselves and their families at a decent level of subsistence. Few workers have been able to meet the day-by-day expenses of decent living, and the so-called prosperity of 1928 was for the majority of workers only a dream.

The American Bankers Association, through its Savings Division, has cheered the nation with its reports of constantly increasing savings deposits in the banks. We have been told that savings jumped from less than \$9,000,000,000 in 1915 to over \$28,000,000,000 in 1930, while the number of accounts rose from over 16,000,000 to nearly 53,000,000. This has been interpreted as if both the volume of surplus funds saved by individuals and the number of these individuals had more than trebled during the fifteen-year period. Dividing these totals by the number of inhabitants in the country, the A. B. A. concludes that every man, woman and child in the United States increased his share of these savings from \$74 in 1910 to \$237 in 1928. But was this so? The A. B. A. classifies as savings all but 7 per cent of all time deposits, of whatever nature, in our banks. That this method is not justified and that only a portion of time deposits can be designated as savings is recognized by all authorities. The increase in so-called savings may be explained by the much lower reserves required by the Federal Reserve System for time deposits, which have led the banks to encourage their clients to shift slow demand accounts into this category.

In 1931 the Committee on Bank Reserves of the Federal Reserve System stated: "While it is the opinion of the committee that the greater por-

tion of time deposits held by member banks, particularly country member banks, represent funds which are genuine savings deposits, the committee is convinced that a significant part of these deposits, especially in metropolitan centres [where most of the so-called savings are located] are not in the nature of savings, but have a considerable velocity of turnover, and should be classified as demand deposits and carry correspondingly larger reserves."

So long as there is no way of estimating the volume of genuine personal savings in the United States, the totals presented by the A. B. A. are for this purpose worthless. This is further shown by the location of the nation's so-called savings, which are confined largely to the financial and commercial centres.

New York, with a population of 12,500,000, was credited with as large savings in 1931 as the thirty States of the East Central, West Central and Southern groups together, although their population numbers over 76,000,000, or six times that of New York. The twenty-two States in the Southern and West Central groups, with 42,356,000 inhabitants, fell short of the savings deposits of Massachusetts, with its population of barely 4,000,000, by more than \$500,000,000. The New England and Middle Atlantic States with 29 per cent of the total inhabitants of the country boasted almost \$18,000,000,000, or about 64 per cent of the nation's total savings.

Massachusetts leads the nation with the highest average per capita savings—\$670 in 1931. New York is not far behind with an average of \$619. In these two States the depression had the effect of actually increasing per capita savings over their levels in 1930. The 1930 averages were \$658 in Massachusetts and \$603 in New York. In other words, if the figures of the American Bankers Association are to be taken at their face value, the average citizen of Massachusetts and

New York was actually able to lay aside new savings in 1931, despite the vast numbers out of work or employed only part-time. On the other hand, although a close neighbor, New Jersey had per capita savings of about \$300 less than New York and Massachusetts. The great industrial State of Pennsylvania, the first to establish a mutual savings bank, had per capita savings of less than half those of New York and Massachusetts. In Ohio the per capita savings were \$205; in Illinois, \$147; in Arkansas, \$30; in New Mexico, \$27. Thus a citizen of Illinois, even though the social and legal equal of a citizen of Massachusetts, has only about one-fifth the standing with his banker. The financial rank of a sovereign citizen of Arkansas is only about one twenty-second of a citizen of Massachusetts.

The Connecticut Bank Commissioner classifies the depositors of mutual savings banks according to the amounts on deposit. His 1930 report shows a total of \$660,442,590 in all Connecticut mutual savings banks, held in 925,799 accounts. Of these, 746,717 accounts, or 81 per cent, had less than \$1,000 each, accounting for 19 per cent of the total deposits. The next group, ranging from \$1,000 to \$2,000, included 83,265 depositors, or 9 per cent of the total, and accounted for \$115,354,112, or 17 per cent of the deposits. On the other hand, 90,448 accounts between \$2,000 and \$10,000, although they numbered only 10 per cent of the total, accounted for \$348,868,792, or 53 per cent of all the savings deposits in Connecticut mutual savings banks. The 5,369 accounts of over \$10,000 constituted only one-half of one per cent of the total accounts, but the total money held in them amounted to 11 per cent of the total savings in these banks.

That few workers have deposits of over \$2,000 in savings banks will not be disputed. Let us assume that all the accounts under \$2,000 in the Connecticut savings banks in 1930 were ex-

clusively those of workers. This means that 90 per cent of the total depositors were workers, but that they controlled only 36 per cent of the total savings deposits. If this is the share of the workers in the mutual savings banks, generally considered as workers' depositories, their share in the time deposits of the national and State commercial banks and of trust companies is obviously almost negligible. Yet these latter banks held 64 per cent of the nation's so-called savings and showed the greatest increase in the amounts deposited.

The story told by the Connecticut data since 1880 is altogether different from that of the American Bankers Association. The Connecticut statistics, which are doubtless typical of the United States, show that the wage-earner's share in the total savings has been steadily declining in the past few decades. In 1880 the deposit accounts of less than \$1,000 in the Connecticut savings banks controlled 46.5 per cent of the total savings. In 1910 the same group still controlled 35.9 per cent of the total, but in 1930 the amount in these accounts had declined to 19 per cent of the total.

This decline holds true not only in terms of their ratio to the total deposits but also in terms of real money. Between 1880 and 1910 the total deposits in accounts of less than \$1,000 expanded from \$33,878,140 to \$103,592,409, an increase of about 205 per cent. By 1930, however, they had risen to only \$124,348,995, an increase of about 20 per cent in the last twenty years. The average amount in each account, moreover, declined from \$202.44 in 1910 to \$166.52 in 1930. Since the purchasing power of the dollar declined by about half during these two decades, \$166 in 1930 was equivalent to only about \$83 in 1910 money. In other words, in 1930 the probable average savings of the workers, measured in real value, was 60 per cent below that of 1910. There

is no doubt that were similar figures available for other States they would show similar declines.

The remarkable growth of insurance until 1931 was one of the chief reasons for belief in the prosperity of the past decade. What did this growth really mean? There were 98,804,354 policies in force on Dec. 31, 1929. But of this number less than 24,000,000 were ordinary policies, with an average face value of \$2,918.45; nearly 75,000,000 of these policies, or three out of every four, were for industrial insurance with an average face value of \$203.10.

In terms of real money the value of the average industrial policy actually declined during the past twenty-five years. According to the New York Commission on Old Age Security "the average policy in 1904 was \$140.95. By 1915 the value had increased by only \$9.79. The increase from 1904 to 1928 was 61.6 per cent. The actual money difference was only \$86.89. Most of these new increases have taken place during the last few years with the fall in the purchasing power of money. To reduce the amounts of these insurance policies to their purchasing value gives a better measure of the real value of these policies. On the basis of 1914 dollars, the 1928 average policy is about \$128.57. This is an actual decrease in the real value of the average industrial policy of approximately \$16.35 on the basis of 1914 dollars. Industrial policies are much more widely held but the real average amount is smaller than in 1914."

Were these insurance policies an indication of general prosperity? Did they offer real security? Even in ordinary insurance, which is generally taken out by the middle and upper classes, we find that during the prosperous year of 1928, for every policy that matured normally, more than two policies were either surrendered or al-

lowed to lapse, involving a complete or partial loss of the policy holder's investment. For the companies authorized to do business in the State of New York—representing about 90 per cent of the total insurance business—out of the 1,734,157 ordinary policies which terminated throughout the country during that year, only 565,088 were terminated by "death, maturity, expiry or disability." Of the rest, 401,219 policies were surrendered for one reason or another, while 764,733 policies lapsed, obviously because the payment of premiums could not be continued. The situation was worse in 1929. The face value of the ordinary policies that were surrendered and permitted to lapse that year was almost three times that of the policies maturing normally.

The story of industrial insurance, generally known as workers' insurance, is even more astounding. Of the 8,515,237 industrial policies that terminated in 1928, only 952,809, or 11.2 per cent, worth a total of \$209,913,584, matured normally, whereas 1,759,987 valued at \$317,320,916, were surrendered, and 5,802,441, or 68.1 per cent, valued at \$1,594,472,261, lapsed. Eight persons in the prosperous year of 1928 lost all or part of their investment for one person who attained the goal of insurance. Again in 1929, for every policy that has terminated normally, nearly eight were surrendered or lapsed, while for every dollar paid out nearly nine dollars' worth of insurance was surrendered or lapsed. The conditions in the less strictly regulated insurance companies were naturally worse.

Terminations in insurance due to surrenders and lapses increased throughout the so-called decade of prosperity. According to the report of the New York Commission on Old Age Security, the percentage of terminations increased from 51.1 per cent in 1923 to 70.2 per cent in 1927. At the same time, the value of these canceled policies rose from 47.2 per cent

of the new business in 1923 to 64 per cent in 1927. The increase in terminations was not due to natural factors but rather to surrenders and lapses. While the terminations due to death declined, the percentage of lapsed and surrendered policies increased from 81.8 per cent of the total terminations in 1923 to 88.3 per cent in 1927. The actual value of all the normally maturing policies represented only 9.3 per cent of the total terminations in 1927.

Proof of the prosperity of the last decade was supposed to be found also in the industrial stock purchases of wage earners and in the development of labor banks. In this way, it was believed, workers were acquiring a share in the ownership of industry which would transform them from wage earners into capitalists. The assertion was frequently made that the number of stockholders in the country had increased from less than 5,000,000 in 1900 to about 15,000,000 in 1927. Not only were workers acquiring the stocks of their own companies, but, so we were told, the development of labor banks indicated that they were accumulating increasing savings for the purpose of ultimate control of industry. As these banks expanded, they would gradually buy out one after another of our industries and, through the peaceful penetration of Wall Street, ultimately attain the long dreamed of labor commonwealth.

How much truth was there in these assertions? The number of individuals holding stocks was only a fraction of the total number of stockholders. Diversification of investment almost became a religion during the decade, and the same individual often appeared as a stockholder hundreds of times. Some time before the stock market crash in 1929 the late Joseph S. McCoy, actuary of the United States Treasury, estimated that only 3,000,000 individuals owned corpora-

tion securities, and that only about 1,000,000 held bonds. "Only one in every thirty persons in the United States," he stated, "now belongs to the legion of capitalists. Investigations have shown that some individuals own as many as 500 different stocks." Shortly after the crash, Dr. Julius Klein, Assistant Secretary of Commerce, also stated that "no one knows the number of persons engaged in this speculative activity, but even if we accepted the apparently liberal estimate of some non-official observers who place the speculative accounts at about a million, these would still involve less than 4 per cent of all the families in the entire nation. Or, if we put it on the basis of individuals, the ratio would be less than 1 per cent of the total population."

The National Industrial Conference Board found in 1927 that 315 corporations, employing a total of 2,736,448 persons, were selling or had previously sold company stock to their employees. A total of 806,068 employees, or about 30 per cent of the number employed, had become stockholders or subscribers to a market value of about \$1,000,000,000. The market value of the shares held by the employees represented $4\frac{1}{2}$ per cent of the total market value of the stock outstanding in these corporations at the time. On the basis of its studies, the Conference Board estimated that in the entire country there were about 1,000,000 employees who owned or had subscribed for stock and that their holdings amounted to "well over \$1,000,000,000." This represented about 1 per cent of the total market value of all stocks then outstanding. In other words, even in the heyday of employee stock ownership only one in twenty-five of those engaged in manufacturing, transportation, mining and trade had purchased any stock. Their total share in American industry amounted to but 1 per cent, so that they had yet to secure the remain-

ing 99 per cent before attaining the Utopia of Professor Carver and Mr. Sisson.

The labor bank movement, as an indication of workers' prosperity, was equally insignificant. Beginning in 1920, labor banks spread rapidly until in 1925 their number had reached 36. Despite the so-called prosperity that prevailed up to the Fall of 1929, labor banks declined steadily in both number and total resources after 1926. By June, 1931, only 12 of these banks were still open, while their total resources were only \$60,132,791, or less than half the total in 1926. A number of these banks, including the much heralded bank of the Brotherhood of Locomotive Engineers, had gone into bankruptcy. Others were taken over by outside interests or reorganized as private banks. In 1931, the largest labor bank—the Federation Bank and Trust Company of New York—closed its doors.

The same exaggerations were current in regard to workers' luxuries. While we counted each one of the six to ten bathtubs in Park Avenue apartments, we failed to notice that millions of Americans were still living in the slums without so much as running water in their homes. When Mr. Hoover was promising each worker a two-car garage, 60 to 70 per cent of American workers were still dreaming of a dilapidated Ford which could just as well have been parked in the yard.

Many workers, of course, did buy cars and bathtubs and radios and over-stuffed furniture and vacuum cleaners. But this was by no means evidence of prosperity. The buyers simply could not resist some high-powered salesman's tempting offer to give them these things for "\$1 down." It was during this period that instalment sales rose to their unprecedented

and unwarranted heights. It was estimated in 1926 that instalment sales reached the enormous total of \$6,000,000,000, or 15 per cent of all goods bought at retail; 80 per cent of phonographs, 75 per cent of automobiles and 65 per cent of vacuum cleaners were sold on these terms. Over \$2,000,000,000 in automobiles, \$765,000,000 in furniture, \$100,000,000 in jewelry, \$66,000,000 in washing machines and about \$40,000,000 each in pianos and radios were sold on the time payment plan in 1924. Even the retail clothiers sold \$140,000,000 worth of goods in the same way. The amount of instalments outstanding at any given time during the prosperity period was estimated at \$2,250,000,000. It is significant that, according to Professor E. R. A. Seligman of Columbia University, close to 300,000 automobiles were returned into the possession of automobile dealers during the prosperous years 1923-1926, when unemployment was at its lowest ebb. Large percentages of similar repossession occurred in all other instalment purchase accounts.

The growth of instalment sales was in itself proof of the hollowness of our claims to wide-spread prosperity. It was scarcely conceivable that workers earning high wages and laying aside larger and larger savings should prefer to buy homes, automobiles, furniture, radios, and even clothing on the instalment plan at exorbitant prices and high rates of interest. Only a queer mind could have believed that workers were buying luxuries and even necessities on the instalment plan, while they were at the same time piling up savings deposits and buying company stocks. It is this mind that built up the myth of prosperity, that for years refused to recognize the depression and that is now drifting from one ludicrous remedy to another in trying to cure it.

Billions for Veterans

By ROBERT CRUISE MCMANUS

WHEN the United States Treasury announced in August, 1917, a plan to insure American soldiers and sailors against death or disability incurred as a result of their service in the World War, one commentator declared that "pestiferous pension graft will become a thing of the past." Nevertheless, fifteen months later, an hour after the signing of the armistice, the first bonus bill was introduced in the House of Representatives.

"Pestiferous pension graft" has existed in the United States since the Revolution; it increased after the wars of 1812 and 1848, and particularly after the Civil War, when a United States Pension Commissioner announced his intention of driving "a six-mule team through the Treasury." Having been forewarned, the Wilson Administration accordingly took steps to be forearmed.

The war risk insurance act signed by the President on Oct. 6, 1917, was like a workmen's compensation law except for the fact that premiums were to be paid by the policy holders themselves. The men were insured against disability or death incurred in the line of duty, while provision was made to rehabilitate or to train for vocations those whose earning power should be impaired. The government further undertook to add to an enlisted man's monthly pay a sum equivalent to that which he allotted to his family, and it arranged for him to transfer his policy into a low-premium life insurance policy if he returned uninjured to private life.

This act was based upon the principle that the United States recognized an obligation to those on whom

the war took toll, but there was no acknowledgment of a debt in dollars to those who had emerged unscathed from the performance of their patriotic duty. In the words of President Coolidge's bonus veto of May, 1924, "we owe no bonus to able-bodied veterans of the World War. We must either abandon our theory of patriotism or else abandon this bill."

However, a genuine sentiment of gratitude that favored "doing something for the boys" after the armistice found its first expression in the payment of \$60 to every man upon the day of his discharge from the service. The country was flooded with penniless and jobless veterans who poured into Washington. Petitions were circulated, and a host of now forgotten organizations appeared, each with its own particular program. By the Spring of 1920 seventy-five veterans' bills were before Congress, but the session ended without the passage of a single measure.

By this time the Veterans of Foreign Wars and the American Legion were emerging as the strongest of the ex-service men's associations, with a combined membership—since considerably reduced—of more than 1,500,000. Threatened with dissension in its ranks, the Legion, which originally had devoted itself to the care of the wounded, was forced to take up the bonus fight. Within a short time both houses were notified that immediate action was expected, and the country was reminded that non-combatant government employes had been awarded an annual bonus of \$240 throughout the duration of hostilities, that stay-at-homes had been paid \$10, \$12 and \$15 a day in the

shipyards and munitions factories, that the average savings bank deposit had increased \$400 and that war profits had created 23,000 new millionaires. Meanwhile the term bonus had been changed to the more diplomatic "adjusted compensation."

When Congress convened in March, 1921, pressure skillfully directed at Congressmen in their districts forced the passage of a bonus bill through the House of Representatives. But new obstacles had arisen; an acute economic depression had seized the country, bringing about a huge Treasury deficit and an outcry for both governmental economy and a reduction of taxes. Secretary of the Treasury Mellon declared that the bonus "could be financed only by increasing the burden of debt under which the country is now staggering," while it would introduce "grave complications with the refunding operations, * * * renewed inflation, increased commodity prices and unsettled business conditions." Mr. Mellon was answered with an argument which has often been put forth since—that a distribution of government funds would increase purchasing power and stimulate economic activity.

President Harding on July 12, 1921, made a dramatic appearance before the Senate with a plea that action on the bill be deferred by returning it to committee. He won his point and editorial opinion in general applauded not the defeat but the postponement of legislation. Meanwhile, States and municipalities had generously rewarded their veterans for service in the national emergency. Moreover, a referendum favorable to the bonus in the President's State of Ohio influenced him to declare in his annual message the following December that he was willing to sign a bonus bill if it provided a satisfactory method for raising the necessary funds. The bill, as finally passed, failed to satisfy him in this respect, and was vetoed on Sept. 11, 1922. The President's message said: "To add one-sixth of

the total sum of our public debt for a distribution among less than 5,000,000 out of 110,000,000 people, whether inspired by grateful sentiment or political expediency, would undermine the confidence on which our credit is builded and establish the precedent of distributing public funds whenever the proposal and the numbers affected make it seem politically appealing to do so." This veto, the first of many on veterans' legislation, was overridden in the House and sustained in the Senate by only three votes.

Throughout the country, after the distribution of State and local benefits, the tide of sentiment for a bonus began to ebb. The stand of the *New York World* that if "authorized at demobilization, it [the bonus] would have been of assistance to many. Coming long after the close of service, with its recipients settled in civil life, it will be nothing but a demoralizing grab, the forerunner, no doubt, of others," became the view of many people. A *Literary Digest* poll of nearly 1,000,000 votes registered a victory for the bonus by the narrow margin of 2.4 per cent. That veterans' legislation was being lobbied through Congress by an organized minority which did not truly represent the sentiment of even ex-service men themselves became a widespread attitude, while a new organization, the Ex-Service Men's Anti-Bonus League, was formed with the motto, "For the Disabled, Everything; For the Able-Bodied, Nothing." But this league did very little to live up to its slogan.

After 1921 the bonus question changed from a dispute over principle to mere manoeuvring for advantage. When Mr. Coolidge succeeded to the Presidency bonus agitation broke out again. Representative A. Piatt Andrew of Massachusetts, Republican, a former Assistant Secretary of the Treasury and Professor of Economics at Harvard University, weakened the Mellon warnings against a bonus when he showed that the Secretary's predicted \$300,-

000,000 deficit of the year before had in reality become a \$600,000,000 surplus. The phrase "a billion dollar error" passed from mouth to mouth on Capitol Hill and the attack on Mr. Mellon widened as it was charged that his companies had profiteered during the war, that Mellon employes had been instructed to oppose the bonus and that the Ex-Service Men's Anti-Bonus League was financed by "Big Business." In the midst of the fight the president of the league admitted before a House committee his utter ignorance of a pending Legion-sponsored bill for the care of disabled. As a result his motto, "For the Disabled, Everything," became meaningless.

As one of the American Legion lobbyists has since admitted, Congressmen received the warning, "If you don't vote this bill through, the man elected in your place next November will." Thus was victory achieved. The bonus passed both House and Senate, rolled crushingly over a Coolidge veto on the eve of a convention which was scheduled to renominate him as the party leader, and became law in May, 1924. Its annual addition to the cost of government in the United States was \$112,000,000.

The defeat of the Presidential veto, said the *Atlanta Constitution*, "means that the day will not come for years, if ever, when the tax levied on the people of this country by the Federal Government will even approximate the normal burden carried before the Great War." It meant "the beginning of the expenditure of untold millions." "Virtually all the arguments in favor of the original bonus bill," declared the *Boston Transcript*, "would still hold good for an increase and then they could be subsequently used again for another increase."

In its final form the Adjusted Compensation act provided for paid-up twenty-year endowment policies with an average value of \$962. At the end of two years the holder was permitted

to borrow, at 4½ per cent interest, from a State or national bank up to 90 per cent of the policy's current value—from \$87.93 a thousand in the first year to \$831.23 in the nineteenth. If he failed to repay his loan the government promised to make it good, at the same time depriving him of the policy. If he died leaving it untouched, his heirs became automatic beneficiaries.

After the adoption of the law the bonus question slumbered. Six months after the act was passed only 1,300,000 of 4,500,000 eligibles had applied for their certificates, which seemed to sustain the contention that most ex-service men did not want the bonus, or at least were apathetic toward it. In the end, however, more than 90 per cent of them fell into line.

With the return of hard times after the stock market crash of 1929, another demand was made for government aid to veterans. To the protestations of the Treasury that it could afford no additional burdens, the answer was returned that the same argument had been used six years before and proved to be wrong. For example, in November, 1923, Mr. Mellon had declared that passage of a bonus law would postpone tax reduction for many years to come and would entail an increase in taxes; nevertheless, since then the Treasury had shown three substantial surpluses, taxes had been reduced as many times, while \$4,500,000,000 of the national debt had been retired. The argument that any further benefits should go only to veterans actually in need was met by a repetition of the "economic" defense that money distributed to all ex-service men would increase the nation's crippled purchasing power and hasten the return of prosperity.

In spite of many protests, the House, under special rules and by a vote of 363 to 39, passed a bill authorizing policy holders to borrow up to 50 per cent of the maturity value of their cer-

tificates. The Senate, after a proposal to limit borrowing to the needy was defeated, approved the House measure by 72 votes to 12, and after another White House veto it became law in February, 1931. Its estimated cost to the government is \$960,000,000; to raise the necessary funds, the Treasury was forced to push its securities into an already uneasy money market. Sixteen months after the much heralded "increased purchasing power" was released, its benefits remained invisible.

President Hoover's personal plea to the delegates at the American Legion convention in the Fall of 1931 was supported by a nine-to-five decision against seeking bonus legislation in the approaching session of Congress. The Veterans of Foreign Wars, however, as well as individual Legion posts throughout the States, were not so easily quieted. When Congress assembled, many members, led by Senator Thomas of Oklahoma and Representative Patman of Texas, were still anxious to "do something for the boys." As a result the threat of the inflationary Patman proposal, which would surrender the management of money to lobby-ridden politicians and issue more than \$2,000,000,000 of new currency to the veterans hung over the nation for seven months.

The issue came to a head in June when the "Bonus Expeditionary Force," a ragged, penniless army of 20,000 ex-service men, advanced on Washington, frankly seeking a Treasury dole. Supported by a portion of the country's press, they wrested victory from the House once more, though this time by a margin of only thirty-three votes. When a vote on the bill was taken in the Senate a mob of veterans swarmed over the Capitol, leaving an ugly memory that Americans will not forget, while within the Chamber the Senators, mindful at last of their nation's dignity, voted a resounding "Nay," which killed the bill by a vote of 62 to 18. But the

dangerous problem of how to demobilize the "Bonus Expeditionary Force" has still to be solved.

While the bonus debate for twelve years occupied the attention of the nation, greater and far more expensive veterans' benefits were silently piling up. Until the formation in May, 1932, by ex-service men of the National Economy League these benefits had been distributed without protest. Only the presentation at the White House of a "Petition for a Redress of Grievances" by Captain Archibald Roosevelt and an Economy League delegation disclosed their nature and extent.

The petition for a redress of grievances specifically attacked veterans' appropriations approved by the House on April 9, 1932, and demanded a reduction of \$450,000,000 from the total of \$928,000,000. It showed that by a succession of statutes adopted since June, 1920—most of them in even-numbered years when Congressmen were seeking re-election—the government had abandoned "the sound policy in which veterans' legislation was first conceived."

The petition pointed out that under a law passed in June, 1920, the government this year will pay \$119,000,000 in pensions to (1) disabled veterans of ninety days' service in the Spanish-American War whose injuries have nothing to do with their war service, and (2) all ninety-day veterans of 62 or over, whether disabled or not. Moreover, by a similar measure adopted two years ago, \$104,000,000 will be set aside to compensate ninety-day veterans of the World War whose disabilities have likewise no connection with their service under the flag. Another statute was cited under which veterans who contracted certain diseases as late as six years after the armistice, which are presumed to have resulted from war service, will collect allowances totaling not less than \$125,000,000.

These are the major items under

the grouping of direct cash payments which the petition demands shall not be expended. In the matter of indirect benefits its analysis and recommendations are equally specific.

A reduction of \$30,000,000 is sought in administrative costs of the Veterans' Bureau for work incidental to these pensions, which it has already declared should not be paid. It attacks as "indefensible" the present free hospitalization of any veteran, without regard to the nature or origin of his disability, points out that 75 per cent of the total admissions to veterans' hospitals last year were for cases unrelated to war service and demands the subtraction of \$39,000,000 in proposed expenditures therefor. In this connection the petition also shows that the House bill would appropriate \$12,000,000 for the construction of additional hospitals, and calls attention to the estimate of General Hines of the Veterans' Bureau that the prospective increase of cases which have no connection with the war will eventually require 100,000 more beds at a peak cost of \$140,000,000 a year.

Under existing laws an ex-soldier who breaks his leg while drunk may obtain care at government expense and then receive a pension of from \$12 to \$40 a month, though his service to his country may have involved nothing more hazardous than three months of fresh air, food and military training at Camp Upton. If he later has a pain in his stomach which puzzles him, he may go to the nearest veterans' hospital at government expense, draw his pension and an extra allowance of \$2.65 a day while undergoing observation, and then, discharged as cured, collect from the government for his fare home.

One individual who entered the service thirteen days before the armistice as a Captain in the Sanitary Corps and who was later transferred to the Quartermaster Corps of the regular army, from which he was discharged in 1922 with no wound, in-

jury or disease, is now legally drawing \$187.50 monthly retirement pay at the same time that he receives \$9,000 a year as counsel for the Veterans' Administration. Another veteran had an abdominal cancer removed, at government expense, in order to save his life, but the operation so weakened his stomach muscles that he could no longer indulge in his favorite recreation of bowling. He likewise receives compensation in monthly instalments.

The benefit-seeking "sunshine and holiday soldiers"—a type denounced on the floor of Congress more than 100 years ago—have fared even better than those on whom the war took actual toll. As was recently pointed out in a series of newspaper articles, the average monthly disability payment for those who saw action in France was \$39.09, as compared to \$48.57 for those who contracted diseases in the United States. The widow who lost her only son and support on the battlefield receives \$20 a month, while the man who caught mumps at Spartanburg may get \$25. An ex-service man with a 10 per cent disability, the result of a completely arrested case of tuberculosis contracted as late as Dec. 31, 1924, is paid \$50 a month, but a widow with two children whose husband fell under German fire has a benefit of \$46.

Policemen, firemen and professional athletes are drawing money from the Treasury because they are "disabled." Doctors, lawyers and business men with incomes of between \$4,000 and \$10,000 are receiving full retirement pay for "30 per cent disability." Besides the abuses under the law, the graft and the manipulations of "pension lawyers" are unmeasured.

Though the fiscal year 1931-1932 ended with a deficit of \$2,885,000,000 and the President has repeatedly urged "drastic economies," he has not yet recommended a change in the veterans' law. The result is that the budget for ex-service men remains substantially intact.

And at the recent Republican National Convention in Chicago the veterans' plank declared: "Disability from causes subsequent and not attributable to war and the support of dependents of deceased veterans whose death is unconnected with war have been to some measure accepted obligations of the nation as a part of the debt due."

In the House of Representatives on May 3, 1932, the members overwhelmingly approved a bill creating three new classes of pensioners among the widows and orphans of "sunshine and holiday soldiers," with the apology that "while this measure is not what we want, it is the best we could do under the circumstances." The demand for widows' pensions was an obvious corollary of the dissipation of the cash bonus of last year. Their insurance gone, wives sought other means of protection. Thus, as each new measure becomes law, creating a new group ready to resist any reduction in their allowances, the fight to reduce the burden of gifts to veterans grows harder. So far almost the only bold voice raised in Congress against the distribution of veterans' largess has been that of Lewis Douglas, young Representative-at-large from Arizona. But he cannot carry the battle alone.

Meanwhile, \$1,000,000,000 a year, or 25 cents out of every Federal tax dollar, is being paid in the interests of those who once wore the uniform of the United States. Since the armistice \$5,500,000,000 has been expended—almost one-third of the total spent for veterans of all wars in which the nation has been involved since the founding of the Republic. Despite the fact that twice as many men were in actual combat with the enemy during the Civil War as during

the World War, and that they suffered twice as many casualties, the "six-mule team" which drove through the Treasury in the '70s has been replaced by a more efficient motor truck.

Such generosity is without parallel. In France, where World War casualties outnumbered American by eleven to one, benefits are being paid to 150,000 fewer men than in the United States. Payments in Great Britain are steadily decreasing. The total spent for veterans in Great Britain, France, Germany, Italy and Canada combined in 1932 will be 10 per cent less than that paid out by the United States Treasury. No other country has considered paying a bonus to all veterans and only two have provided free medical care on a scale comparable to that of the United States.

Until the present laws are drastically rewritten the cost of veterans' benefits is certain to increase rapidly. The National Economy League has emphasized that the average age of World War veterans is now 39 and "most men in their forties and fifties can qualify for at least a 25 per cent disability under a system devoid, as is this system, of any scientific and sound medical basis for its ratings." If the present system is retained, according to General Hines, by 1945 the United States will have paid out \$21,500,000,000, or an amount equal to the total cost of the World War.

To those whose skilled manipulations effected the passage of this legislation the present situation is a striking tribute, but for Americans as a whole, whose ten-year political apathy permitted the movement to go unchallenged, the burden of veterans' benefits remains a bitter souvenir.

The Birth Control Controversy

By ROBERT E. RIEGEL and LAWRENCE EAGER

[The authors of the following article, who are members of the faculty of Dartmouth College, are at work upon a history of the American birth control movement.]

IF the movement for birth control in the United States is to be regarded as having begun with the first practical advice on the subject published in book form by an American, then that movement is just a hundred years old. Dr. Charles Knowlton's *Fruits of Philosophy, or, the Private Companion of Young Married People* (1832), was, indeed, the third such book in the English language, but the earlier volumes, which had appeared within the previous six years, were not written by Americans. Public efforts toward birth control, therefore, are far from new, although the importance of the movement has become generally apparent only in more recent years. Professor Julian Huxley now hails its inception as "one of the major events in the world's history." Dean Inge asserts that not improved technology, nor the growth of socialism, nor the World War, "but possibly the nigh universal adoption of family limitation" will be considered the most important event of the last fifty years.

The early birth-control movement in the United States was indebted somewhat to English agitation of the same period, but the emphasis was quite different. Overpopulation seemed a real possibility in England, and consequently influenced English thinking, but in the New World land was plentiful and people were scarce. One of the few Americans to see prospects of a surplus of people was the versatile Franklin, who wrote as early

as 1751 that "there is * * * no bound to the prolific nature of plants and animals, but what is made by their crowding and interfering with each other's means of subsistence." The usual sentiment, however, as stated by such nineteenth-century writers as Raymond, Taylor, Carey, Everett and Cardozo, was that overpopulation was only a bugbear with which to frighten nervous children. In consequence, American advocates of family limitation stressed the situation of harassed parents and the desirability of eliminating many harmful and even dangerous practices that had long been passed from person to person.

The first of the American birth-control books was published by Robert Dale Owen, who was born in England, and whose interest in the subject was but a minor element in a very active life. Between the appearance of his *Moral Physiology* in 1830 and his death in 1877 at least 50,000 to 60,000 copies of the book were circulated, with more than 10,000 distributed in the United States. Any such figures are probably incomplete, not only because the number of editions and size of the printings cannot be definitely ascertained, but also because pirated editions and circulation from hand to hand have not been included. The present scarcity of copies of this work may be due in part to the fact that they were literally read to pieces.

Two years after the Owen book came Dr. Knowlton's volume. It had an immediate popularity, with at least 3,000 copies sold in the first year and a half, and with at least nine American editions by 1839. Its total all-time circulation is hard to determine, par-

ticularly on account of the prodigious sales upon its revival in the 1870s. *Fruits of Philosophy* was primarily the outcome of the author's personal background. Knowlton (1800-1850) had been troubled during adolescence by almost continual ill health, due probably to difficulties which his marriage in 1821 overcame. But his youthful troubles were soon replaced by the difficulties of supporting a rapidly growing family. Even after graduating from the Dartmouth medical school, he found his earnings meager and that other young married couples had similar difficulties. Consequently he welcomed methods of family limitation, believing in its morality and desirability. He spread his knowledge first in manuscript and later in printed form. But birth control was never a primary interest with Knowlton; later he became a well-known general practitioner.

A lull occurred in the movement during the thirty years after the Knowlton book appeared, even though birth-control literature continued to circulate. Most notable of the new developments was the spreading of the idea of "male continence," a variety of birth control favored by J. H. Noyes, who used it as one of the main bases of his Oneida community, established in the late 1840s. The general vocal sentiment of the nation was that sex and marriage were constituted by God for the continuation of the race and that interference with natural processes was not only dangerous to the health but also immoral, not to say sacrilegious. The use of contraceptives must be inferred from the diatribes against them, and their infrequency from the attitude of the community and from the prevalence of abortion.

Interest revived during the '60s, increased during the '70s and early '80s, and then receded until the second decade of the present century. Included among the publications of the period were J. H. Noyes, *Male Conti-*

nence (1866); Edward Bliss Foote, *Words of Pearl* (about 1866); M. M. ("Brick") Pomeroy, *Pen Pictures of New York Life* (1882); and Edward Bond Foote, *The Radical Remedy in Social Science* (1886). During the same period occurred two important English obscenity trials—that of Bradlaugh and Besant and that of Truelove. They resulted in arousing widespread interest in birth control and a wide circulation of books such as those of Owen and Knowlton.

The English trials not only produced a tremendous publicity for the subject but also indicated a growing effort to suppress birth control information. In the United States, considering the traditional American attitude, there had been surprisingly little censorship before the late '60s. Knowlton's two convictions were not entirely on the basis of obscenity, and Owen was never prosecuted. In general, this type of book met with no legal opposition. Even without specific laws, the spreading of such information might have been prosecuted either under the English common law or under various general State obscenity statutes.

The banning of birth control information has usually been associated with the name of Anthony Comstock, the most influential single advocate of such legislation. Margaret Sanger in her recent autobiography contends that "he and a week-kneed Congress, which, through a trick, in 1873 had given him the power of an autocrat, were directly responsible for the deplorable condition of a whole generation of women left physically damaged and spiritually crippled" in trying to limit their families. Probably such a statement gives Comstock too much credit, since the legislation he sponsored represented the prevailing attitude of his time. Possibly also his effort served to advertise, and consequently to spread, the very information he opposed.

As a result of a long series of both State and Federal laws beginning in

the late '60s, approximately half the States now ban birth control information, in some cases even when imparted by word of mouth. The other States have general obscenity statutes which can be interpreted by the courts according to current judicial morality. Federal laws concerning both the admission of obscene material to the United States and its transmission across State boundaries—particularly through the postoffice—have a history that covers more than a century. The act of 1873, bearing the imprint of Comstock, was the first to mention contraceptives specifically. More recent legislation has changed and expanded this act, but not significantly.

Legislation designed to prohibit birth control information evoked little interest until about the last two decades, when it came under fire because of the expansion of the movement. During these twenty years organized agitation for birth control has come into existence and taken definite form. Social and religious groups and institutions have taken cognizance of it; eugenics and medical science have been drawn to it; clinics have been established; legislative struggles have been waged on an ever growing scale.

The modern movement—and the first really organized movement—began in America with the efforts of Margaret Sanger in 1912 and is still galvanized by her energetic activities. As a visiting nurse in the east side of New York City she was impressed by the need of education in the doctrine and by the need of dissemination of the appropriate information; her talks to mothers in 1912 led her to launch the movement. After a trip to France to study practical methods Mrs. Sanger returned to announce in January, 1914, "a public campaign for birth control, based on grounds of economics and feminism." Soon thereafter the first issue of *The Woman Rebel* was published—and barred from the mails. It was in this year—the first year of the World War—that

the movement received the name of "birth control" and that the first American birth control organization was formed.

In the annals of the movement, 1912 is further important because of the early support of medical leaders. Both the president of the British Medical Association—Sir James Barr—and the president of the American Medical Association—Dr. Abraham Jacobi—endorsed birth control in their presidential addresses that year. When Dr. Jacobi and Dr. W. J. Robinson called a meeting of the Academy of Medicine on the subject in 1913 the medical profession in general was presented with the reality of the movement in modern society. Noncommittal then, the profession has since tended to be divided in its attitude.

Mrs. Sanger's activities have received the special notice of the courts on four occasions. In September, 1914, she was arrested and indicted for advocating birth control. The case was dropped two years later. In the meantime Mr. Sanger was arrested and sentenced to serve thirty days for distributing his wife's pamphlet, *Family Limitation*. The other two Sanger cases had to do with birth control clinics. In 1916, upon the opening in Brooklyn of the first American birth control clinic, Mrs. Sanger and others were arrested, and Mrs. Sanger sentenced to thirty days in jail. In 1931, after the sensational raid of a birth control clinic that had been functioning publicly in New York for six years, she found public sentiment more sympathetic. Many of the leaders of the medical profession protested vigorously and testified voluntarily.

In the space of less than a year three highly significant pronouncements on the subject of birth control were made by religious bodies. The decennial Lambeth Conference of Anglican Bishops, gathered in London from all parts of the globe in the Summer of 1930, voted by 193 to 97 for lifting the church ban against the

practice. Early in the following January appeared Pope Pius XI's encyclical on marriage. The Roman Catholic opposition to contraception as a mortal sin was forcefully reiterated, thus adding substantially to the ever-growing controversy. Less than three months later the report of the Committee on Marriage and the Home of the Federal Council of Churches of Christ in America, an organization representing over 21,000,000 Protestants in twenty-seven denominations, approved birth control.

Other church bodies in America seem also to be moving away from their earlier attitude concerning the practice. The Universalist General Convention in 1921 asked for repeal of all Federal and State laws interfering with the right of doctors to prescribe, and urged the establishment of city clinics. The New York East Conference of the Methodist Episcopal Church in 1930 passed a favorable resolution which would probably have been impossible five years before. The Special Commission on Marriage, Divorce and Remarriage of the General Assembly of the Presbyterian Church in the United States of America (Northern) passed a favorable recommendation, but it was deleted from the final report to the General Assembly, which went on record as rebuking the Federal Council for its report. The Social Justice Committee of the Central Conference of American Rabbis which approved the birth control movement in 1929 is said to have been the first religious organization in America to take such action.

Birth control in America has been sponsored by two leagues, each headed by a woman who has been a pioneer in the movement and is still actively associated with it. The Voluntary Parenthood League, led by Mrs. Mary Ware Dennett, was organized to repeal the Federal laws against birth control. The American Birth Control League, led by Mrs. Sanger, which was founded in 1921 to change the laws in

order to permit doctors to give contraceptive information, is working for the education of the public and for the establishment of birth control clinics. It has issued propagandist literature, held public meetings and fostered over fifteen national and international birth control conferences. Economists, eugenists, social workers, scientists and other specialists participated in the First World Population Conference, organized by Mrs. Sanger in 1927 and held at Geneva under the chairmanship of Sir Bernard Mallet.

Since 1927 Mrs. Sanger has turned from the administration of the league, which in that year had a membership of over 60,000, to promote Federal legislation and "to outline a program to stimulate research through the Clinical Research Bureau, directing it toward the perfecting of contraceptive technique, urging scientists and specialists to focus their attention upon this problem and to set up bureaus for the purpose of testing their achievements."

The growth of the movement can be seen in the establishment of birth control clinics, the first of which was opened in Amsterdam, Holland, in 1878. Between 1923 and 1929 thirty-one American "clinics and centres for birth control service" were founded, many connected with hospitals throughout the country. Dr. C. H. Robinson reports that the development of these clinics is like "other medical charities of the modern welfare movement, except that some well-to-do women are found among the hosts of poor clients." Religious groups "whose leaders object to contraception are represented among American patients in about the same proportion as in the general population." Mrs. Sanger, in her latest book, *My Fight for Birth Control*, speaks of hundreds of doctors who have come to the clinics to be instructed in methods.

Increasing medical interest in birth control is shown not only by individ-

ual attendance at clinics but also by scientific group studies of the subject. Among these scientific groups formed in medical circles "to study contraception and related problems of human fertility from the point of view of the practice of medicine and of the public health" is the National Committee on Maternal Health, which is composed of representatives of such medical schools as Columbia, Cornell, Pennsylvania, Johns Hopkins, and those of over twenty leading hospitals of the country.

Agitating for changes in the laws concerning birth control, the group headed by Mrs. Dennett has been seeking an "unlimited" bill which would allow any one to impart information. Such a measure was introduced in the Senate and the House in 1923 through the efforts of the Voluntary Parenthood League, but it died in committee without hearing. In 1924, as the Cummins-Vaile bill, it came to hearing, and was killed. The group headed by Mrs. Sanger endorses a "limited" bill—often called the "doctors'" bill—authorizing doctors, nurses and midwives to give instruction, in the belief that only scientifically trained people should be permitted legally to do so. The American Society of Gynecologists and Obstetricians and the Gynecological Section of the American Medical Association both passed resolutions in 1925 favoring such action.

A new legislative struggle began three years ago with the organization of the National Committee on Federal Legislation for Birth Control, with Mrs. Sanger as chairman. Through its efforts a "limited" or "doctors'" bill was introduced by Senator Frederick Gillett in 1930. Hearings took place in the middle of February, 1931, with seven prominent persons speaking in its favor and seventeen equally prominent persons protesting against it. The bill, left in committee, died with the Seventy-first Congress a year ago.

Since the beginning of 1932 Mrs. Sanger and her National Committee on Federal Legislation for Birth Control have been concentrating on the present Congress. They have interviewed 206 members of both houses. Of the 171 Representatives interviewed, 92 are reported favorable, 58 noncommittal and 21 opposed to the proposed change of law. Of the 35 Senators seen, 22 are said to be favorable, 7 noncommittal and 6 opposed. Yet the Hancock bill to legalize the distribution of birth control information was defeated by the House Ways and Means Committee by 20 votes to 4 on May 24.

The agitation in many States for a change of law is illustrated by the Remer bill, which was introduced in the New York State Legislature, and advocated giving doctors permission to disseminate information to married people. Favorable to the bill were seven out of eight medical faculties of the State, the State League of Women Voters, the New York Federation of Women's Clubs, as well as many organizations, clergymen and laymen prominent in public life. It was opposed by equally distinguished individual clergymen and religious groups, and was defeated in 1929.

Scientific interest has recently come to include the effects of birth control, particularly in view of the rapid decline of the birth rate in the last half century. Possibly this downward tendency is now being checked in certain European countries, although the evidence is not conclusive. For the United States there are no reliable birth statistics before 1915, and the nearest approximation to a true birth rate is obtained by comparing the number of children under five years of age with the number of women between the ages of sixteen and forty-four. This ratio has declined consistently throughout the entire period of census enumeration. The largest decreases came in the decades 1840-50 and 1880-90, thus correlating with the greatest periods of interest in birth

control. Since the establishment of a birth registration area in 1915 the rate has dropped from 25.1 to 19.7 (1929), but the period is too short to permit of sound generalizations.

The existence of a declining birth rate in the Western World is unquestioned, but its relation to birth control is not so clear. For those who believe that fertility is only one characteristic of racial vigor and that races wax and wane with but little relation to influences of environment birth control may mean little. Most investigators, however, believe that social phenomena can be explained by cause and effect. The birth rate seems to be connected with such things as the number of abortions, maternal care, the age and frequency of marriage, illegitimacy, the volume and force of desire and self-control, the extent of impotency and sterility and the degree of fertility. Surveying these factors, we find that abortion is probably not increasing, that maternal care is improving, that the age of marriage is not increasing, that a larger proportion of the population is now married than ever before, that sexual interest has probably not decreased, even though there are no exact figures, that there is probably no decline in potency or fertility, and that relations between men and women are much the same as they have always been, particularly within marriage. The conclusion seems inevitable that contraceptives have been largely responsible for the decline in the birth rate. Positive evidence of a fragmentary nature supports this conclusion; investigations of married life indicate both that contraceptives are used

more by the younger than by the older couples and more by the upper than by the lower economic groups.

Those who favor birth control may be grouped into five categories. There are those who see in it a solution of the troublesome problems of population. Others regard it as a means of regulating rationally the birth rate and thus lessening the death rate. Still others approve it as an agency for increasing maternal and child health. Some would attain eugenic goals by its application. And there are those who insist that parenthood should be voluntary. Among those who earnestly oppose birth control are those who fear race suicide; those who fear a diminished population and the consequent weakening of the national defense and economic security of their country; those who believe it will result in an increase in immorality, and those who object on religious grounds, believing it is in violation of natural law.

Most of the earlier birth control literature of the last quarter-century is highly emotional and sentimental, with little logic, weighed evidence and objectivity. The weaknesses of propagandist literature still remain in some of the current writing of those who favor and those who denounce birth control. But opponents and proponents alike are seeking more and more the support of science—biological, physical, medical and social—for birth control is a significant movement in the American history of these past hundred years and its present and ultimate effects upon society and civilization are almost incalculable.

Current History in Cartoons



THE WAY OF AN EAGLE

—Glasgow Evening News



THE LEAGUE AIDS AUSTRIA

"Help! Help!"

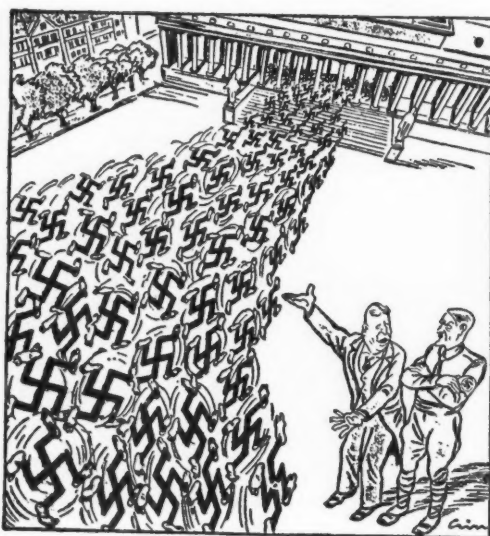
A Trousers Button!

—Kladderadatsch, Berlin



OUT OF THE BOTTLE

—The Daily Express, London



THE RUSH TO POWER

Groener (to Hitler)—"What a race! I didn't realize they had four feet."

—Guerin Meschino, Milan



THE FOSTER MOTHER OF THE ECONOMIC CRISIS

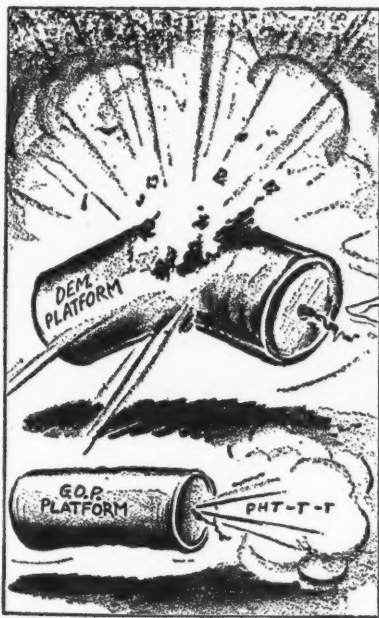
—Kladderadatsch, Berlin



THEY MIGHT HAVE NAMED
BAKER, SMITH OR RITCHIE
—New York Herald Tribune



"NOW, EVERYBODY! HIP-
HIP-HOO-RAY!"
—Baltimore Sun



THIS ONE EXPLODES
—St. Louis Star and Times



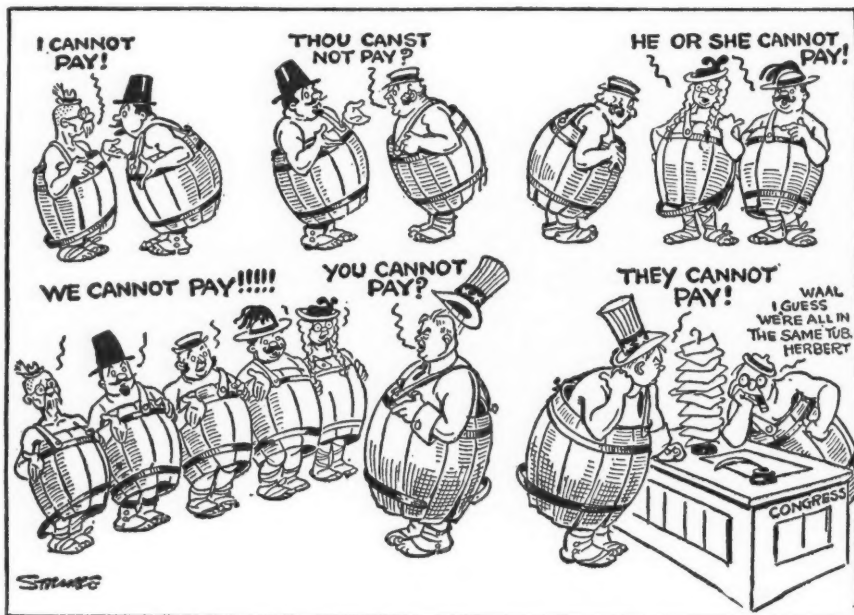
DID HE MUFF IT?
—Columbus Dispatch



"HAVE A SEAT—I'D LIKE A WORD
WITH YOU"
—Baltimore Sun



PASSING THE GRAVEYARD
—Pittsburgh Post-Gazette



"THE SONG OF THE TUB"
—The Daily Express, London

A Month's World History

The End of Reparations

By JAMES THAYER GEROULD

Princeton University; Current History Associate

REPARATIONS at last came to an end with the conclusion at Lausanne on July 8 of a treaty (signed next day) whereby the Young Plan, which fixed the burden on the German people at 34,000,000,000 gold marks, payable in annuities till 1988, is replaced by an obligation involving 3,000,000,000 gold marks (\$714,000,000.) Inasmuch as the bonds for this amount may be issued at as low as 90, the final German payment in reality need not exceed 2,700,000,000 marks. (For the complete text of the treaty see pages 576-579 of this magazine.)

It might, however, be urged that this accord between Germany and the nations to which reparations are due does not finally dispose of the problem, because a "gentlemen's agreement," signed privately the same day as the treaty itself by representatives of Great Britain, France, Italy and Belgium, makes ratification conditional upon the reduction of the war debts owing to the United States. This undoubtedly raises more sharply than ever an issue on which this country has through its government expressed itself in no uncertain manner. Nevertheless, even if the European creditors of Germany declare that reparations can be ended only through action by the United States, it is now certain that Germany will never pay

more than the final amount agreed upon at Lausanne and that, whatever discussion may ensue, the reparations clauses of the Versailles Treaty have been virtually revised out of existence.

Ramsay MacDonald, the British Prime Minister, opened the conference at Lausanne on June 16 with a speech in which he made a solemn plea to save the world from catastrophe. He spoke of the rapid increase in unemployment and consequent human suffering, of the impossibility of constructive relief except as the nations take common action, of war debts and reparations as a major cause of the distress, of the necessity for prompt and decisive action. Twice in the speech he referred to the United States, emphasizing the fact that American interest in a settlement was common with that of the rest of the world, and expressing his gratification that "after the present phase is over, the United States has encouraged us to believe it will cooperate in an examination at any rate of some of the wider problems and join with us in devising a policy for the encouragement of trade and the enrichment of nations."

Since the conference was so long overdue—it had originally been scheduled for Jan. 18—and the end of the Hoover moratorium was so near at hand, prompt action of a tentative

character, at least, was essential. Consequently, on the second day, a resolution was passed declaring that "without prejudice to the solution which may ultimately be reached, the execution of the payments due to the powers participating in the conference in respect to reparations and war debts should be reserved during the period of the conference." By this means debts amounting to about \$45,000,000 were written off—because no one believed that these sums would ever be paid.

Following this action, the position of each of the nations was outlined by its chief representative. Chancellor von Papen admitted the legality of the claims on Germany, but declared that, since the adoption of the Young Plan and because of the fall of the price level, German obligations had been increased by from 40 to 50 per cent. The present financial and economic situation of Germany was such that no payments whatever could be made, and it was claimed that revival of trade was impossible so long as the payments remained on the books. Edouard Herriot, the French Prime Minister, in his reply, did not deny the necessity for a drastic revision of payments, but insisted that cancellation would give Germany an unfair advantage in world trade, and demanded that any final settlement must be accompanied by guarantees of political security. While he made no specific mention of the French debt to the United States, he declared that a European settlement could be brought about only within the framework of a general settlement.

Herriot's first proposal is understood to have been a three years' suspension of reparations, after which an international commission would determine whether Germany could make nominal payments in the form of railway bonds, a proportion of which might go to the United States in place of debt payments. The Germans coun-

tered with a suggestion that, in return for cancellation, they would agree to accept a five-year pact designed to bring about complete economic cooperation with France. For several days there was a deadlock, and had it not been for the efforts of Mr. MacDonald the conference then and there would have broken down.

A suggestion made on June 27 by Count Schwerin von Krosigk, the German Finance Minister, however, finally offered a way out. While Germany was neither willing nor able to pay reparations, he said, she might, when conditions improve, be willing to pay into a common treasury certain sums which could be used for the benefit of countries needing aid. Several days were devoted to the elaboration of this idea, and from it the final arrangement emerged.

By the treaty Germany agrees to deliver to the Bank for International Settlements 5 per cent redeemable bonds to the amount of 3,000,000,000 gold marks (\$714,000,000). These bonds will not be negotiated for at least three years, and if they are not negotiated within fifteen years they will be canceled. If the bonds are put on the market, it will be at a rate not below 90 per cent; hence, this final German payment amounts to 2,700,000,000 marks (\$642,600,000), or only slightly more than the past year's suspended Hoover moratorium payment under the Young Plan.

Before agreement was reached the question of German war guilt for a time also threatened to bring the conference to ruin, but it was relegated to the future for discussion—a concession which the German delegation no doubt made in return for a scaling down of the French demands.

The speed with which agreement was reached was due very largely to the efforts of Prime Minister Ramsay MacDonald and to the disinterested position of the British Government. Great credit must also be given to Premier Herriot and to Chancellor von Papen and to the unexpected cordial-

ity of their relations. The French radical found in the German Junker a man who spoke French and who professed a lifelong advocacy of full Franco-German understanding. The negotiations had extended over several weeks, and more than once their successful outcome seemed impossible. But Prime Minister MacDonald, who acted as both president of the conference and umpire of the contest, refused to surrender the hope of a solution. If von Papen was tied by the instructions of his Cabinet and cowed by the clamors of his press, Herriot was likewise obliged to listen to the voices from Paris, where every sign of German stubbornness served only to stiffen French resistance.

The view of officials at the State Department was that the treaty opened the way for foreign governments indebted to the United States to propose revision of their debt-funding arrangements on the basis of capacity to pay. The United States, it was pointed out, has consistently stated that Europe should first solve the reparations problem before turning to this country in any hope of debt relief. While members of both houses of Congress expressed themselves as pleased that agreement had been reached on one of the most disturbing of post-war problems, they made it clear that they were for the most part strongly opposed to any effort to cancel or even reduce the debts owing to the United States.

No sooner had gratification begun to find expression over the conclusion of the treaty than a new situation was created by the disclosure of the "gentlemen's agreement" signed by Great Britain, France, Italy and Belgium in the following terms:

The Lausanne agreement will take final effect only after ratification by the creditor powers as provided in the treaty. This ratification will not be effected until a satisfactory settlement has been reached between them and their own creditors.

The creditor powers will have an opportunity to explain the situation to

their respective Parliaments, but no reference of that must be made in the agreement with Germany.

Consequently, if satisfactory settlements are reached concerning the debts, the creditor governments will ratify the Lausanne Treaty and the agreement with Germany then will have its full effect.

But if such settlements are not obtained the agreement with Germany will not be ratified and a new situation will arise and the interested governments will confer on what is to be done. In such an event the legal position will be that which existed before the Hoover moratorium.

The German Government will be notified of this agreement.

The first official reaction of the United States Government to reports that President Hoover might consider cancellation or reduction of the war debts was the following statement issued by Acting Secretary of State Castle on July 9: "The American Government is pleased that, in reaching an agreement on the question of reparations, the nations assembled in Lausanne have made a great step forward in the stabilization of the economic situation in Europe. On the question of war debts owing to the United States by European governments there is no change in the attitude of the American Government, which was clearly expressed in the President's statement concerning the proposed moratorium on intergovernmental debts on June 20 of last year."

President Hoover in his statement of June 20, 1931, after declaring that he did not approve "in any remote sense of the cancellation of the debts to us," added that the debts should be determined on the basis of capacity to pay and that the United States should recognize the situation as it existed.

Opposition in the United States to the attitude indicated by the "gentlemen's agreement" was becoming stronger at this writing, but it appeared that this country would take no definite action until after the Presidential election.

Text of Lausanne Reparations Treaty

THE Lausanne conference was convoked on invitation of the governments of Germany, Belgium, France, the United Kingdom of Great Britain and Northern Ireland, Italy and Japan in accordance with the announcement made at Geneva on Feb. 13, 1932, on behalf of those governments.

The object of the conference was as follows: To agree to a lasting settlement of the questions raised in the report of the Basle experts and on measures necessary to solve the other economic and financial difficulties which are responsible for and may prolong the present world crisis.

The conference was opened at Lausanne June 16 by his Excellency M. Giuseppe Motta, president of the Swiss Confederation; M. Jules Dufour, president of the Government of the Canton of Vaud, and M. Dailard, Mayor of Lausanne, being also present.

In addition to inviting the governments mentioned above, the governments of the following countries were represented: The Commonwealth of Australia, Canada, Czechoslovakia, New Zealand, Poland, Portugal, Union of South Africa and Yugoslavia. The governments of Bulgaria, Greece, Hungary, India and Rumania were subsequently represented at the conference.

The conference elected as its president the Right Hon. J. Ramsay MacDonald, Prime Minister of the United Kingdom; as the secretary general, Sir Maurice Hankey, G. C. E., G. C. M. G.

On June 16, 1932, the representatives of the governments of the United Kingdom and Northern Ireland, France, Italy, Belgium and Japan signed the following declaration:

"Deeply impressed with the increasing gravity of the economic and financial perils which overhang the world and with the urgency of the problems which the Lausanne conference has had to consider, firmly convinced that these problems require a final and definite solution directed to the improvement of European conditions, and that this solution must be pursued henceforward without delay or interruption with a view to its realization in the framework of a general settlement, noting that certain payment of reparations and war debts will fall due as from the first of July next, we are of the opinion, in order to permit the work of the conference to proceed undisturbed, that, without prejudice to the solution which may ultimately be reached, the execution of the payment due to the powers participating in the conference in respect of reparations and war debts should be reserved during the period of the conference, which the undersigned governments contend should complete its work in the shortest possible time.

"It is understood that the service of market loans will not be affected by these decisions. The undersigned governments declare that they, for their own part, are prepared to act on this understanding, and they invite the other creditor governments taking part in the conference to adopt the same course."

In accordance with the invitation contained in the last paragraph of the said declaration, the governments of the Commonwealth of Australia, Canada, Greece, India, New Zealand, Poland, Portugal, Rumania, Czechoslovakia, the Union of South Africa and Yugoslavia subsequently associated themselves therewith.

On the occasion of this declaration certain governments addressed to the president of the conference letters which have been placed in the archives. As a result of meetings held from June 16 to July 8, 1932, the following instruments were drawn up:

1. Agreement with Germany.
2. Transitional measures relating to Germany.
3. Resolution relating to non-German reparations.
4. Resolution relating to Central and Eastern Europe.
5. Resolution relating to the world economic and financial conference.

The present act, of which the English and French texts are both authentic, will remain deposited in the archives of the government of the French Republic, which will deliver a certified copy to each of the governments who have taken part in the conference at Lausanne and also the other governments who took part in The Hague conference of 1929-30.

Done at Lausanne in a single copy.

ANNEX 1—AGREEMENT WITH GERMANY

The Government of H. M. the King of the Belgians, the Government of the United Kingdom of Great Britain and Northern Ireland, the Government of Canada, the Government of New Zealand, the Government of the Union of South Africa, the Government of India, the Government of the French Republic, the Government of H. M. the King of Italy, the Government of H. M. the Emperor of Japan, the Government of the Republic of Poland, the Government of the Republic of Portugal, the Government of H. M. the King of Rumania, the Czechoslovak Republic and the Government of H. M. the King of Yugoslavia (hereinafter described as the creditor governments) and the Government of the German Reich, recognizing that the legal validity of the agreement signed at The Hague on Jan. 20, 1932, is not in question, but concerned by the economic

difficulties resulting from the present crisis, and being desirous to make, so far as they are concerned, the necessary effort to insure the normal economic and financial relations between the nations, the undersigned, duly authorized to that effect by their respective governments, have agreed upon the following:

Declaration—The powers signatory of the present agreement have assembled at Lausanne to deal with one of the problems resulting from the war, with the firm intention of helping to create a new order permitting the establishment and development of confidence between the nations in a mutual spirit of reconciliation, collaboration and justice.

They do not claim that the task accomplished at Lausanne, which will completely put an end to reparations, can alone assure that peace which all nations desire, but they hope that an achievement of such significance and so arduously attained will be understood and appreciated by all pacific elements in Europe and the world, and that it will be followed by fresh achievements.

These further successes will be more readily won if the nations will rally to this new effort in the cause of real peace, which can only be complete if it is applied both in the economic and in the political sphere, and reject all possibility of resort to arms or to violence.

The signatory powers will make every effort to resolve the problems which exist at the present moment or may arise subsequently in the spirit which has inspired the present agreement.

Art. I—The German Government shall deliver to the Bank of International Settlements German Government 5 per cent redeemable bonds to the amount of three milliard reichsmarks gold [\$714,000,000], of the present standard of weight and fineness, to be negotiated under the following arrangements:

1. The Bank for International Settlements shall hold the bonds as trustees.

2. The bonds shall not be negotiated by the Bank for International Settlements before the expiry of three years from the signature of the present agreement. Fifteen years after the date of the said signature bonds which the Bank for International Settlements have not been able to negotiate shall be canceled.

3. After the above period of three years the Bank for International Settlements shall negotiate the bonds by means of public issues on the market as and when possible, in such amounts as it thinks fit, provided that no issue shall be made at a rate below 90 per cent. The German Government shall have the right at any time to redeem at par, in whole or in part, the bonds not yet issued by the Bank for International Settlements. In determining the terms of issue of the bonds the Bank for International Settlements shall take into account the desirability of giving the German Government the right to redeem the bonds after a reasonable period.

4. The bonds shall carry interest at 5 per cent and sinking fund at 1 per cent

as from the date on which they are negotiated. They shall be free of all German taxes, present and future.

5. The proceeds of the bonds, as and when issued, shall be placed to a special account, the allocation of which shall be settled by a further agreement in due course between the governments, other than Germany, signatory to the present agreement.

6. If any foreign loan is issued by the German Government, or with its guarantee, at any time after the coming into force of the present agreement the German Government shall offer to apply up to the equivalent of one-third of the net cash proceeds of the loan raised to the purchase of bonds held by the Bank for International Settlements. The purchase price shall be such that the net yield of the bonds so purchased would be the same as the net yield of the loan so raised. This paragraph does not refer to loans for a period of not more than twelve months.

7. If, after the expiry of five years from the signature of the present agreement, the Bank for International Settlements considers that the credit of the German Government is restored, but the quotation of its loans remains, none the less, below the minimum price of issue fixed under Paragraph 3 above, the minimum price may be varied by a decision of the board of the Bank for International Settlements, which decision shall require a two-thirds majority. Further, at the request of the German Government the rate of interest may be reduced below 5 per cent if issue has been made at par.

8. The Bank for International Settlements shall have power to settle all questions as to the currency and denomination of bond issues and also all questions as to charges and costs of issue, which it shall have the right to deduct from the proceeds of the issue. In conclusion, in questions relating to the issue of bonds the board of the Bank for International Settlements shall take the advice of the president of the Reichsbank, but decisions may be made by a majority vote.

9. The text of the bonds will be settled by agreement between the German Government and the Bank for International Settlements.

Art. II—On its coming into force the present agreement will terminate and be substituted for the reparation régime provided for in the agreement with Germany signed at The Hague on Jan. 20, 1930, and the agreements signed in London on Aug. 10, 1930, and at Berlin on June 6, 1932. The obligations resulting from the present agreement will completely replace the former obligations of Germany comprised in the annuities of the "new plan."

Art. III—Consequently Articles I, II, IV, V, VII, VIII and IX, and Annexes 1, 3, 5 and 5A, 6, 6A, 7, 10 and 10A of the said agreement with Germany are definitely abrogated.

Art. IV—The protocol signed at London

on Aug. 11, 1931, and the protocol supplementary thereof signed at Berlin on June 6, 1932, are abrogated. Consequently the provisional receipts handed to the Bank for International Settlements by the German Railway Company under the said protocol of Aug. 11, 1931, will be returned to it.

Art. V—The certificate of the German Government and the certificate of the German Railway Company referred to in Article VIII, Annexes 3 and 4 of The Hague agreement, shall with the coupons attached be returned to the German Government and the German Railway Company respectively.

Art. VI—Nothing in the present agreement alters or affects Article III (liquidation of the past), Article VI (so far as concerns the corporate existence of the Bank for International Settlements) or Article X (immunities of the Bank for International Settlements) of The Hague agreement.

Art. VII—A—The signatory governments declare that nothing in the present agreement diminishes, varies or shall be deemed to diminish or vary the right of the bondholders of the German external loan of 1924 or the German Government international 5½ per cent loan of 1930.

B—The necessary adaptation of the machinery relating to the manner in which the obligation of the German Government, with respect to the German external loan of 1924, and with respect to the German Government international 5½ per cent loan of 1930, will be discharged, will be subject to mutual arrangement between the German Government on the one hand and the Bank for International Settlements, the fiscal agent of the trustees of the German external loan of 1924 and the trustee of the German Government 5½ per cent loan of 1930, on the other hand.

Art. VIII—The present agreement will, on its coming into force, be notified to the Government of the French Republic by the Bank for International Settlements, with a view to the application by the bank of its provisions. The said government will also notify the bank for the purpose of those States that the Young Plan is no longer in effect.

Art. IX—Any disputes, whether between the governments signatory to the present agreements or between one or more of those governments and the Bank for International Settlements as to the interpretation or application of this agreement, shall be referred to the arbitration tribunal set up under Article XV of The Hague agreement with Germany. The relative provisions of that article and of Annex 12 of the said agreement will for this purpose be applicable.

Art. X—The present agreement, of which the English and French texts are both authentic, shall be ratified and the ratifications shall be deposited at Paris. The governments whose seats are outside Europe will be entitled merely to notify

the French Government through their diplomatic representatives in Paris that their ratification has been given. In that case, they may transmit the terms of ratification as soon as possible.

As soon as the present agreement has been ratified by the governments of Belgium, France, Germany, Great Britain, Northern Ireland, Italy and Japan it shall come into force between those governments whose ratification has been deposited or notified at that date. It shall come into force in respect of other signatory governments on the date of ratification or deposit of ratification. The French Government will transmit to all the signatory governments and to the Bank for International Settlements a certified copy of the procès verbal of the deposit and a certified copy of each ratification.

Art. XI—The present agreement may be signed at any time up to the time at which it first comes into force by any governments signatory to the agreement with Germany signed at The Hague on the 10th of January, 1930. After that date, any of the said governments may accede to the present agreement by means of a notification addressed to the Government of the French Republic, which will transmit to the other contracting governments and to the Bank for International Settlements a certified copy of such notification. In that case the agreement will come into force for the government concerned on the date of such accession.

Done at Lausanne, 9th day of July, 1932, in a single copy which will remain deposited in the archives of the Government of the French Republic, which will transmit certified copies to each of the signatory governments.

ANNEX 2—TRANSITIONAL MEASURES RELATING TO GERMANY

The newly authorized representatives of the governments signatory of the agreement concluded this day with Germany have agreed as follows:

Art. I—As from today's date, the effects of the declaration of June 16, 1932, will be prolonged as regards the payments due by Germany under The Hague agreement of Jan. 20, 1930, the London protocol of Aug. 11, 1931, and the Berlin protocol of June 6, 1932. This prolongation will terminate on the coming into force of the agreement with Germany signed today at Lausanne, or failing this on one of the governments of the following countries, Germany, Belgium, the United Kingdom, France, Italy and Japan, notifying the governments concerned that it has decided not to ratify.

Art. II—Negotiations will be entered into without delay between the German Government and the Bank for International Settlements in order that the arrangement contemplated in Article VII of the agreement with Germany signed today may be prepared before its coming into force.

Art. III—As regards the execution of

payments and deliveries in kind of contracts and work in course of execution, a committee consisting of representatives of the German Government and the governments concerned shall be appointed to draw up such proposals as may be desirable in regard to such contracts and works.

ANNEX 3—NON-GERMAN REPARATIONS.

The undersigned governments, animated by the same spirit as inspired the declaration signed on the 6th of June by the five inviting powers, are agreed and recommend to the conference that a committee consisting of one representative of each of the governments concerned shall be set up to consider the group of questions known as "non-German reparations" and cognate questions, viewing them within the framework of the general settlement.

ANNEX 4—RESOLUTION RELATING TO CENTRAL AND EASTERN EUROPE.

In order to attain the object of the financial and economic reconstruction of Central and Eastern Europe, the conference decides to appoint a committee which will be entrusted with the duty of submitting to the organizing committee of the European Union, at its next session, problems as to the measures required for the restoration of the countries of Central and Eastern Europe, and in particular

(a) Measures to overcome the present difficulties of those countries and to make possible the progressive suppression, subject to the necessary safeguards, of the existing system of exchange control.

We are of the opinion that in order to permit the work of the said committee to proceed undisturbed without prejudice to any question of principle, or to the solution which may ultimately be reached, the execution of the payments due in respect of the above-mentioned question should be reserved until the 15th of December next, failing a settlement before that date. Signed at Lausanne the 7th of July, 1932, for the governments of:

(Here follow the signatures of the six inviting powers.)

(b) Measures to revive the activity of trade both among those countries themselves and between them and other States, and to overcome the difficulties caused to the agricultural countries of Central and Eastern Europe by the low price of cereals, it being understood that the rights of such countries shall remain reserved.

Accordingly the conference invites the governments of Austria, Belgium, Bulgaria, Czechoslovakia, France, Germany, the United Kingdom, Greece, Hungary, Italy, Poland, Rumania, Switzerland and Yugoslavia each to appoint no more than two representatives on the committee referred to above.

ANNEX 5—RESOLUTION RELATING TO A WORLD ECONOMIC AND FINANCIAL CONFERENCE

The conference, apart from the questions already dealt with in this resolution, has further undertaken to decide upon "the measures necessary to solve the other economic and financial difficulties which are responsible for or may prolong the present world crisis."

The main questions of this order which demand examination are as follows:

(a) Financial questions: Monetary and credit policy, exchange difficulties, the level of prices, the movement of capital.

(b) The economic question: Improved conditions of production and interchange, with particular attention to tariff policy, prohibition and restriction of importation and exportation, quotas and other barriers of trade, producers and agreements. The conference emphasizes in particular the necessity of restoring the currencies on a healthy basis and of thereby making it possible to abolish measures of exchange control and to remove transfer difficulties. Further, the conference is impressed with the vital need of facilitating the revival of international trade.

To achieve the above purposes:

The conference decides to invite the League of Nations to convoke at a convenient date and at a place to be fixed (not necessarily Geneva) a conference on monetary and economic questions. The conference decides to entrust the preliminary examination of these complex questions, which are closely interdependent, to an authoritative committee of experts. The conference therefore invites the Governments of Belgium, France, Germany, Italy, Japan and the United Kingdom each to appoint as members of the committee two experts, one qualified to deal with economic questions, the other qualified to deal with financial questions. The committee would divide itself into two subcommittees according to the two branches of the subject. The two subcommittees would naturally have discretion to meet in joint session whenever necessary, with the object of insuring the necessary coordination in their labors.

The conference further resolves to invite the Government of the United States of America to be represented on the committee on the same basis as the governments of the States mentioned above.

Finally, the conference invites the Council of the League of Nations to nominate three persons qualified by their financial competence and three persons qualified by their economic competence. It would be desirable that these persons should be nationals of countries other than those mentioned above. They might seek assistance from the directors of the economic and financial sections of the secretariat of the League.

The conference similarly seeks the collaboration of the Bank for International Settlements and decided to invite the latter to nominate two persons to participate in the work of the subcommittee on financial questions.

The Hoover Disarmament Plan

A YEAR and a day after launching the proposal for the moratorium that rescued Europe and no doubt the United States also from an economic catastrophe, President Hoover made the dramatic announcement to the newspaper men assembled at the White House that the American delegation at Geneva was at that moment presenting a plan for a reduction by one-third of the armament burden of the world and the total abolition of all tanks, all bombing planes, all large mobile guns and all instruments of chemical warfare. The immediate effect of these proposals was to breathe new life into a body that seemed moribund.

Then, on July 7, the British Government countered with a proposal of its own, somewhat similar to the Hoover scheme, but varying in one essential. Speaking in the House of Commons, Stanley Baldwin asked reduction of armaments by one-third, not in the treaty number and tonnage of battleships, but in the tonnage and gun calibre of all categories of naval vessels. "The whole scale would come down together and there would be a definite return to smaller dimensions," the British disarmament policy read. "On this basis the United Kingdom proposal would effect an ultimate reduction of capital ship tonnage alone of 195,000 tons, while comparable figures under the United States proposal would appear to be about 175,000 tons."

From April 22 to June 10 the so-called technical commissions, largely composed of professional military and naval men, had been debating solemnly whether certain weapons are defensive in character and consequently may be retained, or are primarily offensive and should be abolished. Each delegation defended vigorously the

weapons suited to the needs of its own country, and there was agreement in almost nothing except that gas and bacteriological warfare must go.

The reports of the technical commissions made it evident that the principle of qualitative disarmament (see June CURRENT HISTORY, page 325) was not a fruitful one, and the professional pessimists freely predicted the complete failure of the conference. The leaders realized, however, that from every point of view some positive result is essential and they cast about for other formulae which might bring agreement.

MacDonald went to Paris on June 11 for a two-day conference with Herriot on disarmament and reparations. This visit marked a definite change in British tactics. Hitherto attempts had been made to reach a preliminary agreement with the Americans, and then to approach the French. The result frequently was irritation in Paris because the French are intensely jealous of their national prestige. Since they hold the whip hand progress was sure to be more rapid after this fact was recognized. The two Prime Ministers journeyed together to Geneva, arriving there on June 13. During the next few days their time was largely taken up by the discussions at Lausanne, but on June 19 conversations between the leading delegates of France, Great Britain and the United States were resumed. There were several meetings, and both Mr. Gibson and Mr. MacDonald talked with President Hoover by telephone.

By 2 A. M. on June 22 enough progress had been made so that messages were sent out calling a meeting of the conference for the afternoon of that

day. The secret had been carefully guarded, and when Mr. Gibson rose to speak there was intense interest. President Hoover's memorandum set forth five general principles on which his proposal was based: (1) That the Pact of Paris implies that arms can be used only for defense; (2) that reduction should be accompanied by an increase in the comparative power of defense; (3) that, generally speaking, the present relativity of armaments should be maintained; (4) that reductions should be sufficient to afford economic relief, and (5) that air, land and naval forces are interconnected and cannot be dissociated. He accordingly proposed that all tanks, all chemical warfare, all bombing planes and all large mobile guns should be given up; that all land forces in excess of the so-called police contingent should be decreased by one-third, the size of the police component to be determined by an average of the proportions allowed to Germany, Austria and Bulgaria in the peace treaties, with necessary corrections for powers having colonial possessions; that the treaty number and tonnage of battleships should be decreased by one-third, of aircraft carriers, cruisers and destroyers by one-fourth, of submarines by one-third, with 35,000 maximum tonnage of the last. Such a reduction would result, Mr. Hoover believes, in savings to taxpayers, during the next ten years, amounting to from \$10,000,000-000 to \$15,000,000,000.

Immediately, and without hesitation, Italy and the Soviet Union accepted the plan, but, as was to be expected, the other nations were not so responsive. France frankly did not like it, and had, in fact, attempted to dissuade the American delegation from proposing it. The opposition, both within the delegation and at home, was less united than usual. In the Chamber of Deputies and in the Paris newspapers, it was con-

demned by the Right, but the Left generally agreed that it merited consideration. The Right argued that the sacrifice demanded of France was disproportionate. With no compensating international guarantees, she was asked to surrender the arms that give her security. To accept the proposal would seriously affect her present dominance in Europe. Herriot's statement, issued after a Cabinet meeting on June 25, almost completely condemned the plan, but subsequently more moderate views gained ground.

The British were less cordial than could have been wished. Their attitude was doubtless determined by the desire not to antagonize France and by traditional fear of anything that may reduce their naval strength. The backbone of the present National Government is Conservative, and most of the "blue water" people are of that party. If they are to be held in line, the delegation must be cautious. With the exception of *The Morning Post*, which can be counted on to oppose any sort of concession, the newspapers commented in a distinctly favorable tone. In response to questions in the House of Commons, the spokesmen of the government were entirely non-committal, but that they were in principle agreed with the American scheme was shown by their own proposal of July 7. On his return to Geneva, after his visit to London to lay the Hoover plan before the Cabinet, Sir John Simon sought an informal five-power discussion of the naval section, but he was opposed by the American delegation on the ground that the principle of the interdependence of all arms must be maintained.

As was to be expected, Japan's reception of the Hoover plan was definitely hostile. She does not admit that her present ratio of armaments represents her actual needs, confronted as she is by both China and Russia. She has always resented the 5-5-3 ratio,

and her experts hold that the amount of tonnage which the plan would require them to scrap is entirely disproportionate. As she credits the United States, justly enough, with leading the opposition to her plans in Manchuria, she is not well disposed to proposals of American origin. The present complete control of her foreign relations by her military and naval men is a serious obstacle in bringing her to agreement.

Germany is affected by the proposal only in so far as it does not satisfy her demands for equality and for cancellation of the sections of the Versailles Treaty relating to her own disarmament. While she is bound to maintain this principle she will hardly oppose this approach to her desires. The attitude of most of the

smaller powers seems to be favorable.

Despite the fact that both the Republican and the Democratic platforms approve the principle of consultation, President Hoover displays a curious reluctance to enter upon an agreement to do what he says we intend to do—to follow the precedent set by the consultation in the Sino-Japanese affair. A formal statement of our policy would be very helpful, particularly in France, in securing popular support of the concessions which we desire. If this could be incorporated in a treaty along the lines suggested by the Committee on Economic Sanctions, making it certain that we would not give economic support to an aggressor, we would remove an important obstacle to disarmament.—J. T. G.

America's Efforts for Recovery

By E. FRANCIS BROWN

THE mid-Summer doldrums, with the party conventions over, the Congressional session near an end and the fiscal year of the Federal Government concluded, present an opportunity to consider the state of the nation. For more than seven months Congress has been wrestling with the many problems presented by the world-wide depression; business leaders, individually and collectively, have been seeking ways to restore the nation's economic life; while ordinary citizens have been adapting themselves, as well as may be, to the stresses and strains placed upon them by a troubled world. What are the high lights of the picture?

In the public mind, at the moment, the 1932 political campaign holds a prominent position. (See the article "The Conventions of 1932" on page

521 of this issue.) Party candidates have been selected, platforms presented and, during the next four months, the pleading by representatives of the various political affiliations for popular support will be heard through the land. Whether the Republicans or the Democrats win at the polls, the responsibility of government and leadership which will fall upon the victorious party will be well nigh crushing.

One of the great burdens will be that of government finance with its far-reaching implications. Both major parties in their platforms have pledged themselves to economic administration of public affairs and to reduction of the costs of government, but the success with which such a promise can be carried out is debatable. The nation has just witnessed the

attempt of Congress to reduce governmental expense and has obtained some appreciation of the difficulties involved.

In his budget estimates for the present fiscal year President Hoover proposed reductions totaling \$365,000,000—a figure to which Congress added a further reduction of \$125,000,000 in the routine appropriation bills. Moreover, an omnibus economy bill enacted by Congress is expected to add \$150,000,000 to the savings in the cost of governmental operation. But these economies were achieved only after prolonged and arduous negotiations.

The omnibus economy bill plagued members of Congress for several months but was finally passed on June 28 and two days later was signed by President Hoover, though with "limited satisfaction." In Congress its history had been troubled and the bill was the cause of frequent, acrimonious exchanges between the President and the two legislative houses. The principal issue was the President's insistence that a thirty-day furlough without pay be compulsory for all Federal employees—a proposal which was bitterly attacked by the House although accepted by the Senate. Eventually the President carried his point and the furlough plan became the basic economy. In its final form the bill satisfied no one, but responsibility for its failure to achieve greater reductions in Federal expenses can be placed on the lack of cooperation between the President and Congress.

The economy bill became law at the end of the fiscal year on June 30; at the same time the departmental appropriation bills were being rushed through Congress. On July 1, when the new fiscal year, 1932-1933, began, the supply bills for the War Department and the Department of Agriculture were unable to make progress because of the inability of the Senate and the House to agree on items contained in them. The House insisted upon the elimination of 2,000 army

officers as an economy measure, but the Senate withheld its consent with the result that the War Department began 1932-33 without funds for the performance of its functions. The Agricultural Department bill was held up by the opposition of House Democrats to an item for carrying on war against grasshoppers. The bill finally passed on July 5 after the grasshopper item had been eliminated.

These economies and the added income from the tax bill passed on June 6 (see July CURRENT HISTORY, page 466) were expected to prevent the recurrence of a deficit comparable to that of approximately \$2,885,000,000 for the fiscal year 1931-1932. This figure is \$762,000,000 greater than the estimate made by the Secretary of the Treasury at the beginning of the session of Congress in December, 1931, but some of the discrepancy is due to the demands made upon the Treasury by the Reconstruction Finance Corporation and the Federal Land Banks. At the close of the year the public debt was \$19,487,002,444, as compared with the pre-war debt, which on March 31, 1917, amounted to \$1,282,044,346.

Another problem which is almost certain to demand the attention of the Federal Government for many a day is unemployment. This question, like so many that now confront the nation, should have been considered years ago and attempts made to meet it before an economic crisis made a solution temporarily impossible. The answer to the problem of unemployment will have to be given later; for the moment all that the government can do is to apply palliatives.

For over two months Congress has sought to enact legislation that would partially care for those out of work and not be too repugnant to members of Congress or to the occupant of the White House. (See July CURRENT HISTORY, page 468.) The House, it will be recalled, on June 7 passed a bill providing that a total of \$2,290,000,000 be expended for unemployment

relief measures of various sorts—a Democratic measure to which President Hoover was unalterably opposed. Several proposals were before the Senate at the beginning of June, but it was not until June 23, after labor leaders and social workers had stressed before the Senate the need of immediate relief, that the upper house passed a bill providing for the expenditure of \$2,300,000,000. The bill included \$300,000,000 for loans to the States, which had been voted earlier by the Senate, as well as \$500,000,000 for Federal construction projects, \$1,460,000,000 for loans to States, political subdivisions and private corporations for self-liquidating enterprises and \$40,000,000 for financing agricultural exports. The bill then passed to conference where representatives of the House and Senate tried to iron out the differences between the bills which had been passed by the two bodies.

The conference report, which was brought in on July 1, provided for a total relief budget of \$2,100,000,000. Of this sum \$1,500,000,000 would be handled by the Reconstruction Finance Corporation for loans to public and private enterprises, \$300,000,000 for the construction of public works, \$200,000,000 for direct loans to the States on the basis of population and \$100,000,000 for direct loans to the States on the basis of need. But before the House could act on the conferees' report it was withdrawn because of President Hoover's opposition and consideration was delayed until after a White House conference between the President, Treasury officials, members of the Reconstruction Finance Corporation and Congressional leaders.

The President was especially opposed to lending money "to individuals, private corporations, partnerships, States and municipalities on any conceivable kind of security for every purpose." As he advocated loans to private enterprises, although on a

somewhat different basis, only two months earlier, there was reason behind the refusal of Congressmen to accept Mr. Hoover's new position. On July 6 Speaker Garner assailed from the floor of the House the attitude of the President, declaring that he was interested in aiding only a "selected clientele." But as for himself, Mr. Garner declared that he was "through with class legislation" and "desired to help the whole people." The merits of the dispute are difficult to decide since politics, as well as two widely separated theories of social and economic organization, is involved.

In spite of the threat of a Presidential veto the House on July 7 adopted the conference report on the Wagner-Garner unemployment relief bill. On July 9 the Senate acted favorably on the bill, which was then sent to the White House where, two days later, it was vetoed.

While Congress debated the unemployment relief bill, the plight of those without work grew steadily worse and their number increased. As usual there are no exact figures, but the Department of Labor in the middle of June indicated that it agreed with the estimate of the American Federation of Labor that more than 10,000,000 workers were unemployed. In many communities funds for relief have been exhausted, or nearly so, while the burden in a host of cities—in New York City expenditures are now on a basis of \$65,000,000 a year—is overwhelming.

Closely related to the unemployment problem at the present time is the agitation for immediate payment of a bonus to the veterans of the World War. The march of veterans—most of whom were unemployed—on Washington and their encampment on the outskirts of the city (see July CURRENT HISTORY, page 470) failed to obtain the passage of legislation favorable to the ex-soldiers, and created a threatening situation to the health authorities and police of the

capital. A bill for payment of the bonus passed the House on June 15, but, as had been expected, was rejected by the Senate two days later. It was hoped that this defeat would bring about the disintegration of what had become known as the Bonus Expeditionary Force, but the passing weeks saw more than 10,000 men still encamped at Washington, agitating for payment of the bonus and maintaining themselves on meager rations. The unhealthy conditions of their camp frightened Washington authorities, who feared the outbreak of epidemics; moreover, the presence in the city of so large a force of disgruntled men was a constant menace to law and order.

On July 7, the House, acting upon the request of President Hoover, passed a resolution appropriating \$100,000 for railroad fares and other expenses which would enable members of the B. E. F. to return home. The Senate, which had previously passed a similar resolution, substituted that of the House for its own and the appropriation bill was sent to the President. The bill provides that the advances made to the veterans shall be charged against their adjusted compensation certificates when they become due.

Whatever may come of the present agitation for veterans' aid, there can be no doubt that before long a too charitable government must tackle the problem of expenditures to the men who participated in the World War and to their families. (See the article, "Billions for Veterans" on page 557 of this issue). The burden is too heavy to be borne in abnormal times and, moreover, an element of justice to American citizenry as a whole is involved. But this ticklish problem awaits further consideration.

The prohibition issue which has grown steadily more insistent in American life likewise awaits answer. The month of June witnessed the adherence of several important dries to

the wet cause, notably John R. Mott, president of the World's Alliance of the Y. M. C. A., and the defection of the traditionally dry State of North Carolina to the wet column through the overwhelming defeat for the Senatorial nomination of an outstanding prohibitionist, Senator Cameron Morrison. The repeal plank in the Democratic platform and the somewhat equivocal statement by the Republicans has renewed agitation in Congress to legalize 4 per cent beer, to modify the present prohibition law or to repeal the Eighteenth Amendment. Meanwhile irreconcilable prohibitionists declared war on both major political parties and commenced what to many seemed to be a last stand before the onslaught of rising anti-prohibition sentiment.

But prohibition probably has received more than its share of public attention and has tended to obscure the importance of other problems before the nation. Outstanding among these is the needed reform of the American banking system. In spite of the fact that in the past ten years almost 10,000 banks have failed in the United States and that these failures have continued to mount steadily, little attempt has been made to improve the system which permitted such a situation. Senator Glass in the recent session of Congress sponsored a bill proposing many changes in banking methods but, perhaps largely through the opposition of banking interests, it was sidetracked on June 15, while small banks up and down the country continued to crash dismally.

In close partnership with the need for reform of the banking system is the question of stock exchange practices and of the speculation which in the past few years aided indirectly in bringing banks to ruin. On June 24, the Senate's inquiry into the stock exchange ended suddenly without any very sensational disclosures, although in the minds of many people there

was a feeling that if the Senate investigators had probed more deeply they might have discovered customs which would have stimulated a demand for more careful supervision of the exchange and the buying and selling of securities.

In any survey of the state of the nation it is necessary to consider the various measures which have been taken to bring about economic recovery, their effect to date and their implication, if any. Of greatest prominence, of course, is the Reconstruction Finance Corporation, which came into being last January and has been making loans to banks, railroads and farmers. Within less than five months the R. F. C. advanced funds to one out of every seven banks in the country; the railroads borrowed heavily also, and, during June, loans to them reached a total of \$29,589,563, the largest amount for any single month since the R. F. C. began operations.

The benefits bestowed by the R. F. C. are debatable. Its loan policy has apparently kept many banks from failing and has kept railroads out of the hands of receivers. But the corporation has been unable to restore the nation's economic life, and whether the present situation would be worse if the R. F. C. had never been organized is something that will never be known. One financial writer has said that "the formation of the corporation did not mark the turning point of the depression. What it did mark was the start of a scheme for the socialization of losses on a scale that never has been equaled in another capitalistic economy."

Late in June the R. F. C. indicated that it would no longer attempt to support small banks which found themselves in difficulties. As a result a series of small institutions, especially in the Chicago area, were closed, runs developed on the larger banks and hoarding apparently was resumed, since the amount of currency in cir-

ulation rose \$144,000,000 in a week, wiping out all the gains achieved by the anti-hoarding drive which was initiated last February. Although the policy of the R. F. C. has seemingly kept the railroads from insolvency, it, of course, has been unable to restore their earnings, which have fallen steadily every month.

If business conditions should improve soon, the work of the R. F. C. undoubtedly would receive the stamp of approval, but if the depression continues for any great period, it seems probable that the policies of the corporation will give rise to far-reaching problems. The amount of money that can be lent to banks and railroads is not unlimited; moreover, what follows if on these loans the borrowers should default?

The Glass-Steagall bill, which was enacted soon after the establishment of the R. F. C., has made it possible for the United States to withstand the prolonged drain on its gold reserves and, for the moment, has insured the maintenance of the gold standard. (See article "The World's Shifting Gold Reserves" on page 540 of this issue.)

Three other measures have been attempted to improve conditions. The Congressional investigation of short-selling amounted to little, either as an investigation or in its effect on economic activity. The Federal Reserve attempt to inflate credit by purchasing government securities served only to "demonstrate the utter futility of the theory which inspired it." And, finally, the bond pool which was formed early in June "to do something" has done little more than retard the steady decline of bond and stock prices.

President Hoover's final major proposal for economic recovery, the establishment of Federal home-loan banks, was passed by the House on June 15, but on July 11 still awaited the approval of the Senate. The bill as passed provided for the setting up

of from eight to twelve home-loan banks throughout the country, each with a capital stock of not less than \$5,000,000. A fund of \$125,000,000 is to be provided by the R. F. C. in case the capital for the district banks is not fully subscribed. The chief purpose of the bill is to stimulate the building of homes where ordinary mortgage credit is unavailable.

Meanwhile, as we have seen, unemployment has increased steadily, business conditions have grown worse, while farm prices, with isolated exceptions, have achieved record lows. The economic condition of the nation obviously is worse than when the Administration's program for restoring prosperity was initiated. The rehabilitation program has succeeded only in postponing the day of reckoning, and that is small praise.

It is significant that at a time of unquestioned economic distress, when the organization of government as well as the economic order is under fire, only palliatives are proposed and no attempts have been made to correct any of the elements in the system of capitalistic production which the present breakdown has shown demand attention. Among radicals and liberals there has been much talk of "a practical program for America," but it has got nowhere. Economists, as well as captains of industry, have praised the idea of national planning, but nothing has been done. At the present time about all that can be suggested seems to be the substitution of some form of governmental dictatorship, managed by big business, for the present democratic system, but even here there is no agreement as to who is to be dictator. The irreverent have suggested that since business leaders did not understand how to keep the nation from economic difficulties, they cannot be expected to restore, with any degree of success, the

ruptured fabric of our economy.

At the present time the talk of dictatorship—revolution from above—is more in evidence than that of social overturn through a rising of the oppressed classes. In spite of the burden of hardship which the economic depression has placed upon the working-classes there are but few signs of social unrest or active discontent. The talk of revolution comes from the bourgeois liberals who have suddenly lost what they believed was economic security and who, unaware of how revolutions come about, believe that their own distress is of the sort from which great changes spring. Possibly, however, the cleavage between the very rich and the rest of the population has been exaggerated by the depression; it is this apparent cleavage that the Democrats seem bent on capitalizing in the pending political campaign.

Social changes are taking place, painfully in a good many instances, but without any great disturbance. Many people, if unsubstantiated but apparently credible stories can be accepted, are leaving the cities to take up residence on farms or in country villages where living is cheaper if no easier. Historians of a later day will be able to ascertain whether the movement is significant. Actually what is happening to the farmer is hard to determine. The American standard of living has undoubtedly fallen, but in many instances the drop has not entailed suffering, but rather a return to a saner, less frivolous, less extravagant way of life. What the crisis means in suffering and sorrow to the masses of the population can never be told; future generations, however, will reap the fruits of the malnutrition and privation which have accompanied the depression in the cities and towns of the United States.

Such is the picture at the end of the terrible first half of this year 1932.

Mexico Voids Confiscation Laws

By CHARLES W. HACKETT

*Professor of Latin-American History, University of Texas;
Current History Associate*

A STORM of opposition by business men and politicians throughout Mexico to the radical expropriation laws passed in the States of Hidalgo, Vera Cruz and Michoacán has resulted in the notification of the first two States by President Ortiz Rubio that the legislation is unconstitutional and must be revised.

Following the example set by Hidalgo late in May, the State Legislatures of Vera Cruz and Michoacán passed expropriation laws early in June. A translation of the Vera Cruz act as published in the official *Gazette* on July 2 follows:

Art. 1. Property rights of all classes of possessions may be subject to enforced expropriation for reasons of public utility, with indemnification.

Art. 2. Public utility is that which tends to benefit the State, the municipalities, the State inhabitants in general and workmen's and peasants' organizations.

Art. 3. All sources of wealth or of labor existing within the State, such as agricultural, commercial and industrial concerns, urban and country buildings, capital and other wealth susceptible to expropriation, will come within Art. 1, and for that reason will be subject to expropriation under the circumstances indicated in Art. 1.

Art. 4. The declaration that work or works, occupation of one or several properties or the exploitation of one or several sources of wealth or of labor, is a public utility is under the authority of the State Governor, provided the application of any Federal decree or law is not concerned.

Art. 5. The procedure for expropriation referred to in this law, including everything connected with indemnification, shall be governed by Law 323 of July 22, 1930.

El Nacional, organ of the National Revolutionary party (the government party), denounced the Vera Cruz law

in an editorial on June 5, stating that "outright communism would be much easier and more logical," and that the party could not support legislation that was clearly unconstitutional. Protests against the laws were drawn up by a score of Chambers of Commerce. On June 8 President Ortiz Rubio, while on a week-end visit to the Governor of Hidalgo, announced that they were discussing modifications of the Hidalgo law. Two days later it was announced at the office of the President that a juridical commission, headed by Attorney General José Aguilar y Maya, had been appointed to pass on the constitutionality of the expropriation laws of the States of Hidalgo, Vera Cruz and Michoacán, and that pending the investigation the laws would be suspended. The following day Governor Adalberto J. Tejeda of Vera Cruz left the State capital for Mexico City in response to peremptory orders from Minister of War Calles to appear in the national capital and explain the Vera Cruz law.

The unpopularity of the expropriation laws and the general alarm in business circles that was caused by them was reflected in the sharp decline of the silver peso from an exchange value of 3.63 pesos per silver dollar on June 4 to 3.90 on June 10.

A modification of the expropriation law of Hidalgo to remove doubts as to its constitutionality was promised by Governor Lugo of that State on June 11. This announcement followed a conference with Secretary of the Interior Juan José Ríos, after the law in Hidalgo had met a reversal in the District Court at Pachuca. The same

day it was reported that the Governors of Hidalgo, Vera Cruz and Michoacán had been summoned to Mexico City for conferences regarding the expropriation laws recently passed in those States. The Governors of the first two States conferred with government attorneys on June 15. Two days later the Department of the Interior announced that President Ortiz Rubio had notified the States of Hidalgo and Vera Cruz that their expropriation laws required revision because of their unconstitutionality. The following day President Ortiz Rubio telegraphed all State Governors in Mexico asking their cooperation to prevent the adoption of laws similar to those enacted in Hidalgo and Vera Cruz. He said in part:

The Federal Government is aware of changing social conditions and change in the political and social sciences; it also remembers the revolution's obligation to the working classes. I feel that the present is not the moment to proffer to the outside world a panorama of disintegration in our system of government in order to accede to the wishes, not of the majority that governments must always strive to satisfy, but a minority, for measures which perhaps would be misunderstood as far as results were concerned. * * * I feel certain that you will employ all the means within your power and within your constitutional rights when your local Legislature is studying any law that in your opinion might contribute to an increase in the general perturbation, and will communicate, before approving such laws, with the Federal Government to coordinate ideas, which is indispensable to reach harmonious action regarding legislative matters.

An agreement providing for an extension for two years of the general and special claims conventions between Mexico and the United States has been signed, according to a Department of State announcement on June 18. The conventions, which were originally signed in September, 1923, expired in August, 1931. At the same time that the conventions were extended, two protocols were signed, "one for each convention, relating to the functioning of the commissions and covering such matters as the ex-

pediting of the hearings of claims, the fixing of the place of future meetings, the submission of evidence and the proposing of certain standards of interpretation."

PANAMA'S NEW PRESIDENT

The election of Dr. Harmodio Arias, Doctrinal Liberal, to the Presidency of Panama on June 5 was free from disturbance, although, when the results were announced, the San Blas Indians were reported to have gone on the warpath because of the defeat of Dr. Francisco Arias Paredes, Reform Liberal, who had conceded his defeat in a friendly letter dated June 7. The uprising of the Indians was reported to have been quelled without serious consequences by June 9. Appreciation for the cooperation received from the army and naval authorities of the United States and for the "friendly and efficacious cooperation" of United States Minister Roy T. Davis in encouraging a fair election was expressed to the United States Government by the Panaman Minister to the United States, Dr. Horacio F. Alfaro. In reply, Secretary of State Stimson praised the orderly conduct of the election in Panama. The inauguration of President Arias is scheduled for Oct. 1.

As a result of a decline of revenues resulting in a deficit of \$125,000 a month, a reduction of probably 10 per cent in the salaries of all government employes, effective on July 1, was decided upon by the President of Panama and his Cabinet on June 15.

Payment of \$2,201,874.05 in interest charges and amortization on its external and internal indebtedness was made by the Government of Panama between March 1, 1931, and April 30, 1932, according to an official announcement on June 18.

REBEL ACTIVITY IN NICARAGUA

Clashes between Nicaraguan rebels and Nicaraguan National Guardsmen, which, during May, resulted in the

death of twenty rebels and the wounding of forty others, continued during June. No fewer than seven engagements between rebels and guardsmen were reported between June 2 and June 24. During this period at least sixteen rebels were known to have been killed and probably ten wounded. The guardsmen were reported to have suffered no casualties in any of the skirmishes except one on June 18 and another on June 20, in each of which one guardsman was wounded.

In an article by Augusto Sandino, published in Tegucigalpa, Honduras, on June 15, the assertion was made that Sandinistas had fought nine battles against the National Guard, that those killed in the battles, including seven United States Marines, numbered 131, that thirty of the guardsmen were wounded and that the insurgents captured twenty-nine rifles, seven machine guns and 19,000 cartridges. Sandino concluded his article by asserting that he and his followers would "oppose by force of arms whatever election farce may be attempted with the aid of foreign supervision."

Rear Admiral Clark H. Woodward, U. S. N., was sworn in before the Nicaraguan Supreme Court on June 23 as president of the National Board of Elections, which is to have complete jurisdiction over the forthcoming general elections in Nicaragua. In an appeal for cooperation he said, "Our supervision over the coming elections is the final step in our program to help Nicaragua."

ABORTIVE REVOLT IN HONDURAS

The excitement attendant upon a presidential campaign in Honduras, which is to be terminated by an election in October, flared into an abortive revolution early in June. In a clash between 500 government soldiers and a slightly larger rebel force at La Barranca on June 7, fifty-one men were reported to have been

killed. The rebels were charged by government spokesmen with being supporters of General Tiburcio Carias Andino, Nationalist candidate for the presidency. But General Carias, in a statement issued on June 8, condemned the revolt and disclaimed any connection with it. To cope with the situation, martial law was declared in the Departments of Cortés, Santa Bárbara and Copán on June 8. Reverses for the rebels were reported on June 11 and again on June 14, after which the government claimed that the backbone of the revolt was broken. The rebels were reported on June 22 to be retreating toward the Guatemalan frontier, and the country was said to be relatively quiet.

TERRORISM IN CUBA

Bombings and other terroristic activities of dissident political elements in Cuba were more frequent and of a more serious character during the month under survey than for several months past. On May 31 bombs exploded almost simultaneously in three of Havana's most prominent schools; some property damage was done but no persons were injured. Five days later a cache of arms, ammunition and documents was seized at the Havana immigrant station. A bomb exploding in a park in the city of Santa Clara on June 7 killed two persons and severely wounded twelve others. The same day political gatherings were banned in the Province of Havana. An attempt to assassinate President Machado was frustrated on June 10 when a bomb was discovered at a street corner which the President was soon to pass. Three men, all members of prominent families, were arrested in connection with the discovery. The following day Dr. Pedro Herrera Sotolongo, noted oppositionist lawyer and attorney for several noted political prisoners, was arrested. Sixty Cubans, charged with being implicated in the plot to assassinate Presi-

dent Machado, were arrested by Cuban police in a raid on June 13. The wholesale arrest of hundreds of Cubans was reported on June 14 to be under way in Cuba in a drive against alleged terrorism. Reports stated that 200 warrants had been issued in Havana, where the jails were already overflowing. In Santa Clara forty-two prominent citizens were reported to have been arrested on charges of being enemies of the government.

A bill suspending constitutional guarantees throughout Cuba for one year and authorizing the chief executive to extend the period for another two years was signed by President Machado on June 23. The effect of the law was to prolong the military rule which had been in force since Dec. 11, 1930; by this law Congress has also given President Machado the power to keep himself in office by force of arms until the expiration of his term in 1935.

At a special Cabinet meeting on June 13 the budget of the Cuban Government for 1932-1933, effective on July 1, was fixed at \$50,400,000. It was also decided to create new taxes to bring the revenue up to this figure. In view of a deficit of \$9,000,000 in the 1931-1932 national budget, it has been estimated that new revenues must amount to about \$10,000,000. Proposals for numerous new taxes were announced by Secretary of the Treasury Ruiz y Mesa on June 17. They include levies on the salaries of public employes, changes in the stamp tax and a tax on identification cards issued to foreigners, of whom there are about 550,000 in Cuba. Tax increases were proposed on radios, amusements, spectacles, rice, profits and consular fees. Many new sales taxes were also predicted.

Dr. Orestes Ferrera, former Cuban Ambassador at Washington, was installed as Secretary of State on June 1.

The Chilean Scramble for Power

By HENRY GRATTAN DOYLE

*Professor of Romance Languages, George Washington University;
Current History Associate*

THE return to Chile of former President Carlos Ibáñez on July 6 was the culminating event in a month of such variety of incident as to appear to justify the term "Chilean merry-go-round" applied to recent happenings in that country by an American editorial writer. Colonel Ibáñez, who had been living in Argentina since his overthrow on July 26, 1931, arrived in Santiago by airplane and, according to reports, received an enthusiastic welcome from a crowd of 500 persons, including the Mayor of Santiago. On July 7, after a conference with Provisional President

Dávila, the former dictator of Chile declared that he did not seek office. At the same time he urged Chileans to support the government of Dr. Dávila.

Rumors assigned to the ex-President two contrasting political rôles in an uncertain situation. According to one report Colonel Ibáñez was likely to accept the post of Minister of Defense in the Dávila Government. This would probably strengthen the latter, not only because of Ibáñez's popularity with the army and navy, but because the national constabulary, or "carabineros," upon which any gov-

ernment must depend to maintain order, was the creation of the former President, and was reported still to be devoted to him. Such support would mean much to Dr. Dávila, who was an upholder of Colonel Ibáñez during the latter's heyday.

According to the other interpretation of Ibáñez's reappearance, he was to fall heir to the constitutional government of President Montero, which the Dávila-Grove coup of June 4 overthrew. As pointed out in these pages last month, it would only be necessary for President Montero to appoint Ibáñez Minister of the Interior and follow this by resigning as Constitutional President, having first obtained the resignation of the Vice President in order to bequeath all constitutional rights to Ibáñez. Under the Constitution, the Minister of the Interior becomes Acting President in the event of the death or resignation of the President and Vice President. While such a claim to the Presidency might mean little under revolutionary conditions, it could be a great asset should the Dávila Government collapse. Moreover, it would be important as a basis for foreign recognition. Part of the technique of revolution in Latin America is the preservation of constitutional succession by the proper arrangement of appointments and resignations, according to law, by representatives of the new régime. Recognition by the United States would probably be greatly facilitated by conforming to this procedure.

But such an outcome was based upon the assumption that President Montero is ready to admit that a purely democratic and civilian government, of which his relatively brief régime was such a splendid and heartening example, is undesirable in the present stage of Chilean affairs; and that he was willing to admit that the former dictator was the "man of the hour," the only hope of the middle and professional classes against the threat-

ened rule of the proletariat. Such an outcome, while a defeat for democracy, would at least have the negative virtue, in the eyes of Montero and his followers, of being a worse defeat for unacceptable economic ideas and a guarantee against political chaos.

But rumor and conjecture ended on July 9 when Colonel Ibáñez with the aid of certain army groups tried to overthrow the Dávila régime and seize power for himself. When the fallen dictator realized that the strength of his support was not as great as he had anticipated, he took refuge in a friendly garrison near Santiago and soon afterward left the capital.

Reference has been made to the "merry-go-round" of events since the revolt of June 4 and the break in the ranks of the revolutionary junta on June 12, when Dr. Dávila withdrew and was succeeded by Rolando Merino. This move was generally interpreted as a setback to the moderate policy which Dr. Dávila, in view of his record and expressed opinions, was believed to be advocating, especially in the matter of foreign investments. Concern felt abroad was not materially alleviated by a statement that the new junta was not considering any immediate steps affecting foreign interests.

On June 17 Dr. Dávila was restored to power as suddenly as he had relinquished it. A military counter-revolution, in which the carabineros refused to shed blood in defense of Colonel Grove, the dominating force in the reconstructed junta, resulted in the capture of La Moneda Palace and the arrest of Colonel Grove and Eugenio Matte, his associate in the new junta. The new junta, which replaced the group dominated by Colonel Grove, consisted of Dr. Dávila, Senator Armando Cabero, a former member of President Montero's political party (the Radicals), and Nolasco Cárdenas, a former Deputy. General Arturo Puga, who had been forced out by Grove at the same time as Dr. Dávila, was named Minister of De-

fense in the new Cabinet. It was obviously a compromise Cabinet, intended to mollify supporters of the Montero régime. Colonel Grove and Señor Matte were placed aboard the destroyer Lynch, which was to take them to the penal colony on Más Afuera, the outermost island of the Juan Fernández group, about 400 miles off Valparaíso in the Pacific, a favorite place of exile for political disturbers.

The following week proved to be a serious test for the government. Rebel aviators were reported to have tried to detain the Lynch and to have captured several airports, but this report was officially denied. A strike of railway workers in protest against the arrest of Colonel Grove was broken by placing the State railways under the army and making participation in the strike a military offense. Similar strikes of bakery and slaughter-house workers were put down with a heavy hand, and a sympathetic strike of the Braden Copper Company's employes likewise failed when the junta decreed that interference with the manufacture or sale of foods or with public services was an offense punishable by death. Street disorders in Santiago and Valparaíso on June 20 and 21 resulted in a number of casualties among radical rioters. Curfew measures closing all places of amusement at 9 P. M. and requiring persons on the street after 10 P. M. to have military passes were put into effect.

Meanwhile the Lynch had reached Juan Fernández, whence her commander radioed that the presence of numerous motor boats made the problem of keeping Colonel Grove in exile a serious one and that the guards should be reinforced. In the midst of all this Dr. Dávila fell ill with the grip and had to transact much of the government's business from his bedroom.

Foreign interests were somewhat relieved by a decree restoring the Central Bank, which had been converted into the Bank of the State by Colonel Grove's régime, to its former status

established on the recommendation of Professor Kemmerer, the American fiscal expert. It was further announced that four European economists, two from France, one from Germany and one from Italy, had been engaged as economic advisers to the government. The administration also ordered the return to the owners of the foreign gold currency totaling 3,000,000 pesos—about \$240,000—seized in raids by carabineros on fifty-five jewelry stores and foreign exchange shops on June 11 in accordance with the junta's decree of June 10 expropriating foreign currency and forcibly converting it into pesos. Announcement was made that the employment crisis was to be met by opening public lands to the unemployed.

By June 25 conditions seemed to have improved sufficiently to permit modification of the curfew regulations; theatres were allowed to remain open until midnight and street traffic was permitted until 12:30. In a radio address on that date the Provisional President declared that Chile had been on the verge of anarchy, and assumed full responsibility for the repressive measures taken. On June 27 new difficulties faced Dr. Dávila when his two colleagues in the junta resigned because of disagreement with his policies. It was reported that Senator Cabero had advocated a provisional government under a president appointed by President Montero so as to preserve the constitutional succession. Perhaps as a sequel to this action, Dr. Dávila announced on June 29 that a constitutional assembly would be called to meet on Oct. 2 to rewrite the Constitution along socialistic lines. In the elections of members of the assembly, it was announced, the interests of labor organizations would be placed above those of political parties.

Throughout these weeks Dr. Dávila had undoubtedly been waging a gallant fight against terrific obstacles.

His attempt to steer a middle course between conservative and radical groups had been obvious. He now came into conflict with army and navy officers, who have never been satisfied with the centralization of army, navy and air forces under a single Ministry of Defense—a step initiated by the Montero Government—and who apparently hoped to forestall an inevitable cut in military expenses and salaries. An order to disband the destroyer division, issued on July 4, caused high navy and army officers to present an ultimatum, demanding the immediate resignation of the Provisional President. Confident of the support of the enlisted men of the two forces, Dr. Dávila refused, declaring that the civilian government would continue despite the reports that a military dictatorship was planned. Unconfirmed reports of Communist rioting in Santiago on July 5, in which a number were killed by carabineros, suggested that a crisis was at hand. The police reported discovering stores of explosives in Valparaíso sufficient to destroy the entire city. It was at this juncture that Colonel Ibáñez returned to Chile and, while rumors were prevalent that the government was about to fall, conferred with the Provisional President.

Dr. Dávila's return to power coincided also with a crisis in the affairs of the \$300,000,000 nitrate monopoly, "Cosach" (Compañía Salitre de Chile), which was formed under the Ibáñez Government by a merger of government-controlled and American-owned properties, in which the Chilean Government had a 50 per cent interest. The company has apparently been in difficulties for some months, with large quantities of nitrate on its hands for which there is little demand, while faced with the need of funds to meet its obligations. Withdrawal of the government, which would establish small plants to relieve unemployment, permitting Cosach to

continue as a foreign corporation, was one expectation at the opening of July. The threat of insolvency because of default on working capital obligations in the form of acceptance credits due on July 1 was dispelled when New York and London bankers extended these obligations, secured by shipments of nitrate, for one year. Interest on Cosach bonds was paid on July 1, but two of the constituent companies, Lautaro Nitrate Co., Ltd., and Anglo-Chilean Consolidated Nitrate Corporation, were reported in default of interest payments due on July 1 and May 1, respectively.

After preliminary conferences at Scheveningen, Holland, representatives of ten countries producing or largely consuming nitrates met in Paris on July 6 to discuss the formation of a world cartel which might control production through national quotas and thereby keep price levels high enough to make production profitable. The possibility that more than 2,000,000 tons of Chilean nitrates already in European ports might be thrown on the market disturbed European producers, and may induce them to include Chile on favorable terms in any agreement reached. In response to an inquiry on July 4, Finance Minister Zanartu cabled that foreign producers had no reason to fear "grave measures" unless they failed to reach an agreement with Chile at the conference. A report on July 6 said that nearly all European stocks of Chilean nitrate had been sold to European consumers formerly purchasing synthetic nitrates, but that completion of an agreement depended upon settlement of Cosach's difficulties, either by dissolution or by reorganization.

The interests of the nitrate combine, which were a political issue in the agitation against President Ibáñez last year, would seem to be assured of sympathetic consideration at the hands of Provisional President

Dávila and his government, or of any government in which Colonel Ibáñez might play an important part.

THE RED MENACE

The bugaboo of dangerous "Red" activities in South America, allegedly centring in Montevideo, was discussed in a cabled statement by Dr. Juan Carlos Blanco, Uruguayan Minister of Foreign Affairs, on July 7. Denying the existence of "centres of Communist agitation of greater importance than those in other countries," he minimized the activities of the Communist party in Uruguay and declared that more Communist publications, money and instructions to agitators were sent to Uruguay than from that country. At the same time it was reported that harvesting in the province of Santa Fé, Argentina, had

been paralyzed by Communist agitators and that the Rosario Stock Exchange had appealed to the government for police protection for the harvesters. An unofficial report from Santiago on July 7 declared that incriminating documents linking Colonel Marmaduke Grove to Communist activities in Chile had been discovered. According to this report Colonel Grove was involved in the naval revolt of last September and in the Communist outbreak at Copiapó. Communist meeting places have been raided by police under orders from the Dávila Government, which has displayed great vigor, according to the dispatch, in curbing "Red" activities. It will be recalled in this connection that Manuel Hidalgo, the Communist candidate for the Chilean Presidency in 1931, was defeated by President Montero.

Ireland and the Empire

By J. BARTLET BREBNER

Assistant Professor of History, Columbia University, Current History Associate

THE dispute between the British and Irish Governments continued throughout June. The Dublin and London conversations at the beginning of the month, originally concerned with the Ottawa conference, ended in deadlock on the three main issues of the oath, annuities and Irish unity. In demanding a united Irish Republic, President de Valera advocated "some form of association with the British Commonwealth in some circumstances and for some reasons, and the recognition of the King as head of the association." Mr. Lloyd George, with the indiscretion of a member of the Opposition, on June 17 came out openly with the basic British case by declaring that "if [during the World War] the coast of Ireland had been in the hands of an indepen-

dent sovereign State which might have been friendly or might have been hostile, we might have been done for in the struggle, and we are not going to take that risk in the future." The government confined itself to charges that good faith and proper international procedure had been flouted.

The chief dissension was over the land annuities, £1,500,000 of which fell due on June 30. In addition, Finance Minister Sean McEntee on June 17 advocated retention of annual payments of £2,000,000 connected with the constabulary, pensions and local loans. Although by the end of June Mr. de Valera had committed himself to wholesale repudiation of the financial agreements under the treaty of 1921, which had been negotiated by the Cosgrave Government, he finally

decided to pay the annuities into a separate fund in the Irish Treasury pending arbitration. He demanded, however, that the arbitral board include non-members of the British Commonwealth on the grounds that "the dice would always be loaded against Ireland" in a Commonwealth tribunal. This ran counter to the principle adopted at the last imperial conference for the creation of such a tribunal. Mr. Thomas pointed out to Mr. de Valera that he was pre-supposing that there were not three honest people in the British Empire. There could be no question of forcing Ulster to join the Irish Free State, nor could agreements be made with an Irish Government that broke agreements. On June 22 the British Government agreed to arbitrate the question of the annuities, but refused to go outside the empire for arbitrators.

The Irish Free State defaulted the annuities on June 30 in the face of a British threat to collect the amount by tariffs on imports from Ireland. While the Irish Government thus ignored intra-imperial or even international usages, the economic inequalities between Great Britain and the Irish Free State made the British resort to force seem brutal. The United Kingdom took 92 per cent of Ireland's exports last year, and though the Irish Free State bought more than it sold to Great Britain, the total amounted to only 8 per cent of British exports. Great Britain had hitherto exempted Ireland from the operation of her new tariffs, but Ireland had given Great Britain only a preference under the new high tariffs which Mr. de Valera has raised since coming into power.

British action took the form of a bill empowering the treasury to impose tariffs up to 100 per cent if necessary to recover the unpaid land annuities. This measure was passed by the House of Commons on July 8 by a vote of 222 to 30.

Meanwhile, two striking features of the dispute had borne witness to

the unique character of the British Commonwealth and Empire. George Lansbury, leader of the Labor party in the House of Commons, and William Norton, Labor leader in the Dail Eireann, held a long conference in London on July 3. Mr. de Valera is absolutely dependent on seven Labor votes to preserve his working majority in the Dail. Lansbury and Norton decided to rely upon Mr. Thomas to avert the disaster of a tariff war. At the same time Mr. de Valera was acting as host to V. J. Patel, the Indian Nationalist leader, and introducing him to Irish audiences as another fighter for self-determination. Outside Ireland, Mr. de Valera receives his principal support from the United States, British Labor and Indian Nationalists.

The Roman Catholic Eucharistic Congress in Dublin on June 22-26 was a success in spite of inclement weather. The Governor General of the Irish Free State was not invited to the Dublin Castle reception on June 21, and visitors from Great Britain and the dominions found their flags absent from the decorations. Roman Catholic pilgrims were mobbed at several places in Protestant Ulster on June 26. Mgr. Glennon of St. Louis, an American Catholic leader, in an address on June 23 urged the Irish people to abandon hatred now that so much had been won for Ireland.

THE OTTAWA CONFERENCE

Except for some apprehension in Washington lest the British Imperial Conference at Ottawa succeed in creating an economic unit to the detriment of American export trade, notably to Canada, there was little that was new in anticipation of the meeting on July 21. The Irish Free State continued to be confronted with the dilemma created by the necessity of making an economic bargain with Great Britain, which found expression in Stanley Baldwin's declaration on June 28 that no agreement could

be made with the Irish Government at Ottawa because it insisted on repudiating agreements made by its predecessor. The Irish delegation, headed by Sean T. O'Kelly, the Vice President, and including Sean Lemass, Minister of Industry and Commerce, James Ryan, Minister of Agriculture, and a staff of twenty-three, was to sail for Canada on July 8.

A certain amount of preliminary sparring went on along the lines indicated in the July issue of *CURRENT HISTORY* (pages 423-428 and 486). Australian opposition to the lowering of tariffs became more pronounced, and the Australian delegation was very vague as to its hopes. Mr. Baldwin, who was to head the British delegation, said on June 16: "The general objective of this government at Ottawa is the nearest practical approach to reciprocal free trade within the empire," but he added for the benefit of some unnamed industrialized dominions: "Those dominions will be asked at Ottawa to consider if they have not gone a little too fast in industrial development, both for their own good and for that of the empire as a whole."

THE BRITISH LOAN CONVERSION

At the end of June, Neville Chamberlain, Chancellor of the Exchequer, announced that his Government intended to embark at once on conversion to $3\frac{1}{2}$ per cent of £2,086,000,000 outstanding in 5 per cent war loan bonds. Simultaneously the Bank of England dropped its rate to 2 per cent, its lowest in history, not attained since 1897. The conversion was to be voluntary with a bonus of 1 per cent in cash for notification of intention within a month. Those who declined to convert were to be paid in cash on Dec. 1. The new loan was to be free of income tax. The conversion would mean a saving of £23,000,000 annually in interest charges.

The magnitude of the operation, the reliance on voluntary conversion and

the promise to pay off unconverted bonds were somewhat breath-taking, in spite of the preliminary steps taken last year by Mr. Snowden on behalf of the Labor and the interim "National" governments. Yet the process was characteristic of the boldness already shown by the new government, and it had an immediate tonic effect on securities. Sterling, however, promptly fell, and stood at 3.5475 on July 5. Several factors were involved in that decline, among them the withdrawal of foreign speculative deposits, the formal creation by a loan of £150,000,000 from the Treasury of the Exchange Equalization Fund and the obvious disinclination of the Bank of England and the Treasury to support sterling. The interests of the export industries still make a low rate for sterling desirable.

The operations of the Exchange Fund have been kept secret, but it was known that the Bank of England had purchased about £15,000,000 worth of gold, an amount equal to the withdrawals from reserves to liquidate the Anglo-French credits of 1931, and also equal to the expansion of the fiduciary note issue which was authorized when Great Britain went off the gold standard. On July 2 the Bank's gold reserve was £136,950,000, as against £136,880,000 just before Sept. 21, 1931. It was also known that the Bank and the Treasury had acquired large amounts of foreign exchange during the Spring in their efforts to keep the pound below \$3.70. The conclusions drawn from these circumstances were (1) that the fiduciary note issue would soon be reduced to its 1931 proportions; (2) that the pound would be allowed to sag in the interests of the exporters and prevented from rising, if necessary, by more purchases of gold or foreign exchange; and (3) that the available gold and exchange would be used for the purchase of unconverted bonds in December.

Mr. Chamberlain had given the House of Commons some hint of good

news when on June 10 he adopted a tone entirely different from that of his speech on May 10. He said that he hoped for further economies in arms expenditures as a result of the Geneva Conference, but that even if these were not forthcoming, neither a supplementary budget nor additional taxation for 1932-1933 would be necessary. He alluded to further reductions in expenditure, which appeared to be chiefly in connection with the social services.

The Import Duties Advisory Committee on June 3 appointed a national committee to plan the reorganization of the iron and steel industries during the temporary 33 1-3 per cent protection which they enjoyed until July 26 and were promised thereafter so long as they continued to take steps to increase their efficiency. These industries are the basis for many export industries which need the lowest possible prices in order to compete abroad. If they fail to take the chance they have been given to see what they can do, the temporary protection will be withdrawn.

The statistics of British foreign trade for May showed no improvement, although it was held that the rate of decline was less than that of Great Britain's chief competitors. Exports of £34,580,000 were £5,062,000 less than May, 1931; imports of £55,730,000 were £13,903,000 less; and the adverse balance of £21,150,000 was £8,841,000 less. The unemployment figures showed an increase, as at May 23, of 89,125, making a total of 2,741,306. For various reasons the Ministry of Labor seemed justified in its claim that there had been no real change in industry. A decrease of 30,700 in the wholly unemployed served as corroboration.

The threatened cotton strike did not materialize, and the miners accepted by a narrow margin the new Coal Mines Bill. It continued the 7½-hour day, contingent upon satisfaction of the British demand for simultaneous ratification of the Geneva 7-

hour convention. It did not provide for maintenance of the present scale of wages, but the government pledged itself to secure it for twelve months by guarantees from the owners' associations.

CANADA SEEKS NEW MARKETS

Canadian producers have been busy solving the problems created by successive exclusive American tariffs. For instance, 42 cents a bushel on wheat, 3 cents a pound on beef cattle, \$3 a head on sheep, 65 cents a bushel on flax seed, 75 cents on 100 pounds of potatoes and duties on maple syrup, milk and other products had reduced to \$590,000 in May, 1932, the agricultural exports to the United States, which amounted to \$8,605,000 in May, 1921. The new duties on copper and lumber are the latest examples. Canada has been forced to find markets elsewhere, chiefly in the United Kingdom. During the 1931-1932 grain-shipping season Canada has satisfied 78 per cent of the world demand for wheat. Prices have been low because of the 300,000,000 bushels held over the market by the United States Federal Farm Board, but exports have been abnormal in quantity and the carry over for July 31 is estimated at 104,000,000 bushels—30,000,000 bushels less than last year. The crop prospects are excellent, with estimates approximating 500,000,000 bushels, but the search for markets continues.

The first response to this situation was urgent representation in favor of British quotas for free entry of Canadian wheat and flour. This would mean protection against Russia, the United States and Argentina for at least a part of the Canadian production. Already, however, some of the producers have begun to point out that the available world supply determines the world price and that price is the chief consideration, particularly since the Canadian Government has discontinued its subsidy of 5 cents a bushel on grain shipped.

The Canadian trade returns for May revealed the same long list of declines in exports and imports which could be found for any nation, but they also showed signs of vigorous marketing. Copper exports to Great Britain almost quadrupled, as compared to 1931, and exports of meats, cattle and fruits showed increases which were startling when the fall in prices was remembered. Loopholes in the United States tariff wall and necessitous selling were shown by increases (some of them spectacular) over 1931 in exports to the United States of fruits, sugar, fish, meats, petroleum, fertilizers and other chemicals. The totals were discouraging in the light of past boom days. Exports were \$40,594,000 (\$59,833,000 in 1931), imports were \$44,361,000 (\$73,457,000 in 1931), and the adverse balance \$3,767,000 (\$13,624,000 in 1931).

The Canadian dollar continued to reflect the restrictions on gold exports by being discounted in New York at from 13 to 15 per cent. It has been estimated that Canadian payments to the United States of capital and interest during 1932 amount to about \$1,000,000 a day. In the first six months \$35,571,000 in gold was exported to help in this obligation. Domestic gold production for the same period was about \$30,000,000. Canada is obviously paying a large premium to meet the confident borrowings of more prosperous years.

A great deal of Canadian public ownership represents private distress. The Canadian National Railways are made up chiefly of bankrupt private lines. During June the same process was indicated in the field of hydroelectric power. The great Beauharnois project, which was the subject of a Parliamentary inquiry in 1931, applied to the Dominion Government for \$16,000,000 to carry it to completion in 1937. About the same time the Ontario Power Service Corporation, which has been developing the canyon of the Abitibi River, found that

it needed \$50,000,000, and the Province of Ontario, which already possesses its own great Hydroelectric Power Commission, prepared to step in to prevent unemployment and to assure the promised power to the active mining industry of Northern Ontario.

THE NEWFOUNDLAND ELECTION

By the general election held on June 11 the Liberal Government of Sir Richard Squires, whose difficulties culminated in serious riots in April, was swept out of power. F. C. Alderdice, who had been asked by the Governor to form a government when Sir Richard retired, led the United Newfoundland party and won twenty-one out of twenty-seven seats. Both Sir Richard Squires and his wife were defeated. Only two Liberals were returned.

On July 2 the new Prime Minister announced that the loan of \$2,500,000 had been fully subscribed. The Imperial Oil Company of Canada took up \$1,750,000 in return for a monopoly, thus adding to the Canadian financial control already initiated by four Canadian banks.

INDIAN AFFAIRS

After the communal warfare in Bombay, which had cost 174 killed and 1,950 injured, quiet was restored by June 8. There were sporadic outbreaks elsewhere, but none was prolonged or nearly so bad as that in Bombay. A renewed outbreak there on July 1 resulted in the death of ten and injury of 200. Various special interests put forward criticisms of the Lothian franchise scheme, and the consultative committee of the Round-Table Conference went ahead coordinating the reports which its subcommittees rendered. It was expected that, on completion of its work, a small Indian committee would accompany it to London to assist in drafting the new legislation. In these circumstances some surprise was expressed that the Indian moderates continued to allow

the congress to lead Indian opinion as a sort of left wing of Indian nationalism.

NATIONALIST VICTORY IN MALTA

Following Lord Strickland's apology to the Pope and the restoration of the Constitution in Malta, an election was held on June 11-13 for a new Parliament. The Nationalists, no longer able to make an issue of Lord Strickland's alleged harm to religion, attacked the accepted recommenda-

tion of the recent Royal Commission that English be the only language in addition to Maltese in the elementary schools. They espoused the cause of Italian culture, and the Constitutionalists (the former Strickland party) upheld Maltese nationality and British citizenship. The Nationalists won 21 seats, the Constitutionalists 10 and Labor 1 in the Assembly, with 11, 4 and 2 as corresponding totals in the Senate. The clergy were again very active on behalf of the Nationalists.

Premier Herriot's Burdens

By OTHON G. GUERLAC

Professor of French, Cornell University; Current History Associate

WHEN Edouard Herriot realized that the outcome of the French elections in May forecast his elevation to the Premiership, he anticipated a period of international crisis and crushing domestic problems. His expectations have not been disappointed, as the pressure of foreign and domestic issues during his first weeks in office was unceasing.

During the second half of June the Lausanne conference on reparations forced him to commute between Paris and the little Swiss city where the conference was sitting. In these days of almost continuous international meetings, a Premier must be capable not only of carrying on the ordinary functions of his office, but also of undertaking the delicate and complicated duties of a negotiator. And, as always, the Premier must remember the political situation at home, the probable attitude of the several parties toward diplomatic concessions or demands and the possible effect of the interplay of home politics and international events upon his own fortunes.

If domestic concerns had been negligible, the simultaneous meetings of the Disarmament and Lausanne conferences would have made the burden of Herriot's office heavy, but to the international situation was added the serious problem of the French budget. When the new government assumed office at the beginning of June, it found only \$2,800,000 in the Treasury—the remnant of the surplus, which at one time was more than \$80,000,000, accumulated between 1927 and 1929. This fund has been exhausted by the repayment of loans and by extending assistance to banks, railroads and shipping. As governmental deficits during the past two years totaled \$295,600,000 and in the past nine months have been further increased by \$126,920,000, France finds herself in a financial situation that would be serious enough even without the prospective deficit of \$260,000,000 for 1932.

Only two solutions for this financial plight are possible, and both are certain to be unpopular with the French electorate. Higher taxes in a coun-

try where the burden of taxation seems to be as heavy as can be borne are out of the question. The mere mention of new taxes has brought protests from the National Confederation of Taxpayers, which claims to have a membership of 5,000,000. Only economies in governmental operation remain.

Germain-Martin, Minister of Finance, and Maurice Palmade, Minister of the Budget, have planned drastic reductions, not only in army appropriations, as suggested in the Cabinet's platform, but also in the salaries and pensions of State officials. The threat to the military budget aroused a storm in the Nationalist press, which accused the Ministry of "weakening security." The second proposal brought forth strong protests from various organizations—the National Union of Tax Collectors, for instance, and the war veterans, as well as the postal, telephone and telegraph workers. The latter group threatened to go on strike if the proposed reductions were carried out. Moreover, it was rumored that the economies planned by the two men responsible for the budget met with such intense opposition in the Cabinet that Germain-Martin and Palmade at one time threatened to resign. The Radical-Socialists, who have probably in their membership a larger number of civil servants than any other party, need in times like these a strong measure of heroism. When it comes to a showdown before the Chamber, the party cannot expect the Socialists to vote unpopular economies, while the Conservatives, who might be in favor of them, are unlikely to help the Cabinet in its hour of need.

Nevertheless, the government on July 1 presented a budget calling for additional income of \$56,000,000 and economies of \$104,000,000, a total of \$160,000,000. The economies are to be brought about by cutting \$60,000,000 from the appropriations for na-

tional defense and by reducing all salaries—including those of the President of the republic, the Ministers and members of Parliament—by 5 per cent.

While the attention of the nation was focused on Lausanne, the Chamber discussed possible remedies for unemployment. The latest official figures of the unemployed show that only 247,264 persons were registered as out of work.

The Senate was at the same time debating woman suffrage—an issue which arose in the old Parliament over the short-lived electoral bill of M. Mandel. The debate, which was closely followed by French feminists, showed that the French Senate is likely to be the last citadel which the partisans of equal suffrage must conquer. Undoubtedly the principal ground of opposition is the uncertainty which would ensue from extending the franchise, since in France the influence of the clergy upon women is still important.

The organization of the new Chamber of Deputies has revealed a more pronounced division into small groups than in the last one. These groups which reflect minor differences of personalities or of special issues of secondary importance, are now seventeen instead of thirteen or fourteen in the previous Assembly. The list is as follows, with the provisional number of members:

| | |
|--|-----|
| Communists | 10 |
| Dissident Communists..... | 9 |
| Unified Socialists (Léon Blum)..... | 131 |
| French and Republican Socialists... | 27 |
| Radical-Socialists (Herriot)..... | 160 |
| Radical Left | 49 |
| Left Independents | 25 |
| Independent Left | 15 |
| Republican Left | 30 |
| Republican Centre (Tardieu)..... | 33 |
| Republican Federation (Marin)..... | 41 |
| Social Republican | 18 |
| Popular Democrats | 18 |
| Independents | 17 |
| Centre Republicans | 7 |
| Social Progress and members belonging to no group..... | 24 |

The five new groups comprise the

Centre Republicans, headed by M. Tardieu; the Republican Social group, organized by Deputy Georges Pernot from among former members of Louis Marin's party; the Independent Left Republicans, created under the leadership of Henry Torrès, prominent lawyer; the Dissident Communists, and the one-man party formed by Comte François de Ramel, who calls himself the Group for Social Progress.

Louis Marin's party, which formerly was the largest Right group in the Chamber, is split and his followers instead of being the Union of Democratic Republicans, in future will be known as the Republican Federation.

The distinctly radical complexion of the new Chamber was brought out by the elections to the various offices as well as by the choice of the chairmen of the important commissions. The election of the Unified Socialist, Fernand Bouisson, to the position of Speaker should not by itself be considered significant since he occupied the same position in the old Chamber. Nevertheless he had never received so large a vote as on this occasion—the unheard total of 504. The chairmen of the commissions of foreign affairs, budget, army and so on, are either Socialists or Radical-Socialists, the parties of the centre have received only minor positions.

The defenders assigned by the head of the Paris bar to represent Gorgouloff, President Doumer's assassin, exhausted all the means at their disposal—pleas of insanity and irregularities of procedure—in an attempt to save their client. As the Court of Cassation on June 30 rejected the appeal against the legality of Gorgouloff's commitment, his trial before the Assize Court of the Seine was scheduled to open on July 29.

BELGIUM IN A TARIFF UNION

The Foreign Ministers of Belgium, Holland and Luxemburg at Lausanne on June 20 signed an agreement set-

ting up a tariff union which has for its object the reciprocal and gradual lowering of economic barriers. The preamble of the agreement stated the belief of the signatories that "the progressive realization of a greater freedom of exchange is one of the essential conditions of world recovery."

The three countries engaged not to create any new duties and to proceed, by an annual reduction of 10 per cent, to the lowering of existing duties to an established level. Moreover, they agreed not to apply among themselves any new restrictions to imports or exports except in specially determined cases. Other States will have an opportunity to adhere to the convention on an equal footing with the signatory States.

This agreement was hailed in Belgium as a reply to the French quota system which has been so detrimental to Belgian interests. Several newspapers regarded it as an end of the most-favored-nation clause which had interfered with the conclusion of a Belgo-Dutch economic treaty. The extension of such a movement to major European countries is considered a matter of serious moment, much more significant than the convention between small nations already committed to free trade.

The announcement of this tariff league followed the sending of a letter from King Albert to Premier Renkin who was then at Lausanne. In this letter the King, after denouncing the results of restrictions, taxes, surtaxes and other forms of customs' barriers, cited the fact that in three years the value of international exchanges had been cut in half and that unemployment figures had been doubled. He said that this was "definite proof that no country is in a condition whereby the play of its own forces can lead the course of economic evolution in its own favor" and suggested that Belgium should take the initiative in promoting economic coopera-

tion. This was obviously intended to prepare public opinion for the agreement that followed.

During a short stay in Brussels, between two trips to Lausanne, Premier Renkin succeeded on June 29 and 30 in clearing up the internal political situation which had become threatening during his absence. He obtained from the Chamber the acceptance of a convention between the State and the national bank concerning the losses incurred by the fall of the pound sterling in September, 1931.

He was particularly fortunate in getting from the Chamber a final vote on the linguistic question. The bill was adopted by 80 votes against 12, with 63 abstaining. The Socialists, although in favor of the principle of the new law, did not vote for it because they objected to certain clauses which were the result of bargains between the parties, but which were, in the words of M. Vandervelde, unrelated to the interests of education. With these two parliamentary victories the Renkin Ministry seemed secure.

Germany Under Von Papen

By SIDNEY B. FAY

*Professor of History, Harvard University and Radcliffe College;
Current History Associate*

CHANCELLOR VON PAPEN, who came into office after the resignation of Chancellor Bruening on May 30, has confounded those who prophesied that his "Junker Cabinet" would at once proceed to dire reactionary measures—perhaps even disregarding the Republican Constitution and paving the way for a return of the Hohenzollerns. On the contrary, although most of his colleagues in the new Cabinet belong to the old Prussian aristocracy, he has proceeded in the main with moderation, wisdom and considerable success in both domestic and foreign politics.

Not only has von Papen taken over most of the unpopular measures of his predecessor and echoed his views on foreign politics, but he has shown his purpose to be practically the same as that of the Bruening Government—the control of the unripe forces of National Socialism. His tactics, however, are slightly different. Instead of antagonizing the Nazis by forbidding their storm troops to wear the brown uniform—the measure which

caused General Groener's retirement from the Bruening Cabinet last April—von Papen has sought to conciliate them. He has granted them the wearing of their uniforms and has allowed them greater freedom of the press and use of the government-controlled radio for their propaganda. To be sure, the new Cabinet has closer points of contact with the Nazis than had the Bruening Socialist-Catholic coalition. Von Papen shares with the Nazis two sentiments—a rather narrow nationalism and a hatred of Marxism. This Marxism, as the Germans use the term, has little or nothing to do with socialism or Karl Marx. It is an elastic term used to denote all things and people in Republican Germany which Nationalists and many Nazis do not like, including the occupation of administrative posts by Social Democrats, many of them Jews, unemployment relief instead of conscription, and Jewish and foreign influences in the press, in literature and on the stage.

In spite of these points of contact

and the conciliatory attitude of the new Cabinet toward the Nazis, von Papen's aim is undoubtedly to prevent Germany from falling into their hands. His group of relatively cultured landowners and soldiers, with their old Prussian sense of duty and discipline and experience in high administrative posts, differ widely from the heterogeneous Hitlerite mass inflamed by contradictory promises and unbounded agitation. Apparently President von Hindenburg and his new Chancellor believe it would endanger both themselves and the nation to permit power to fall into the hands of the Nazi movement while in its present raw, ignorant and turbulent stage and while lacking politically experienced leadership. That is why the von Papen group were determined to obtain power themselves, and retain it, if that can be contrived. Hence their moderate and conciliatory tactics.

The most important question of domestic politics with which the von Papen Cabinet has had to deal has been whether the Nazis should be allowed to wear their famous brown shirts with the swastika on the sleeve. These were forbidden by General Groener last April, and the prohibition contributed to Bruening's downfall at the end of May. On June 16, however, a decree of the von Papen Cabinet removed the ban. Hitler's followers were again permitted to parade in their brown shirts throughout the Republic, subject only to supervision by the Minister of the Interior of the Reich. In signing the decree President von Hindenburg said that he was prompted by the assumption "that far-reaching mitigations would result in German political contests being conducted more calmly and without deeds of violence. If this expectation is not fulfilled, I am resolved to proceed against excesses with my full constitutional powers."

The Nazis hailed the decree with delight. "Adolf Hitler's 400,000 fighting men can march in the open again,"

declared their newspaper, the *Voelkische Beobachter* of Munich. But the Social Democratic *Vorwaerts* of Berlin denounced the lifting of the ban as "a madhouse act." The Communists were enraged, for, being avowedly revolutionary, they were excluded from the benefits of the new decree, and are still forbidden to wear their party uniforms and to assemble in their "Godless" societies. Hence the decree had the effect of increasing the bitterness between Nazis and Communists, with the unfortunate result that in the constantly recurring street fights between the two extremist parties more than a score of persons were killed within a month.

In the South German States—Bavaria, Baden and Wuerttemberg—where the hatred of the Nazis is even stronger than in Prussia, President von Hindenburg's decree did not go unchallenged. Bavaria decided to maintain the ban on the brown shirts in defiance of the Federal decree, declaring that to permit the Nazis to march in uniform endangered peace and good order. When Hitler's followers sought to march in thousands to the Brown House in Munich, they were dispersed by the Bavarian police, who arrested 470 and confiscated their brown shirts. On June 17, when the Nazi Deputies trooped to their seats in the Bavarian Diet wearing their uniforms, President Georg Stang pointed out that such an act infringed the standing orders of the Legislature adopted in 1930. When the Speaker tried to read the Hitlerites individually out of the Chamber, Hermann Esser, the editor of the *Voelkische Beobachter*, mounted the rostrum and called for "Three cheers for Adolf Hitler." They were given with gusto by the Brown Shirts, who likewise responded with alacrity when their parliamentary leader demanded a triple "Down with Held," the Bavarian Premier. The Nazis then began their party anthem as President Stang forthwith expelled for a week the entire Nazi group for refusing to obey

his injunction to leave. As the Hitlerite Deputies still refused to go, Herr Stang summoned the green-uniformed Bavarian police, who lead the recalcitrant partisans out of the hall. The Nazis were then forbidden to attend the Diet for the following twenty sessions.

In Baden and Wuerttemberg the State governments followed the example of Bavaria in refusing to accept the lifting of the ban on the brown shirts. They asserted that parades by Nazis in uniform provoke disorders and even riots, that the question of the brown shirts is therefore one to be dealt with by the local police, according to local conditions, rather than by a Federal decree such as that issued by President von Hindenburg. This has raised an important constitutional question for von Papen to deal with. On the one hand, the Hitlerites clamored for the general enforcement throughout Germany of the rights given to them by the decree; they even demanded the proclamation of martial law as a means of enforcing it. On the other hand, in the South German States, where there is a tradition of individual liberty rather than of the Prussian militarism, the Catholics, Socialists and Communists insist on the right of the individual States to maintain such police measures as are required by public safety; they assert their traditional "States' rights" doctrine, to use an American term, or *Particularismus*, as the Germans themselves were accustomed to call it.

Faced with this constitutional question the von Papen Cabinet advised President von Hindenburg to issue a new decree on June 29. It is in the nature of a compromise, and fails to decide the conflict in a clear-cut fashion. Under it the Federal law supercedes the laws of the States; hence members of the militant factions may wear the political uniforms even in the States which have raised objections to them. At the same time the State Governments are held respon-

sible for maintaining order, and therefore they may use their discretion to ban individual political demonstrations or parades.

When the Berlin Social Democratic *Vorwaerts* published a cartoon implying that the von Papen Government was paying for new Nazi uniforms out of savings obtained through a reduction of the unemployment relief funds, the Chancellor considered this a slander upon his Cabinet and demanded that the Prussian Minister of the Interior suspend the newspaper for five days. Karl Severing, the Prussian Minister, objected and appealed to the Federal Supreme Court for a decision. The Supreme Court rendered a verdict on July 1 upholding the Federal Government and imposing the five-day suspension on the best-known Socialist paper in Germany. A similar demand by the Federal Government related to the chief Roman Catholic organ in the Rhine Valley, the Cologne *Volkszeitung*, which demanded that von Papen be recalled from Lausanne for admitting in an interview with a French newspaper representative that France was entitled to certain compensations in lieu of reparations. In this case the Supreme Court imposed a three-day suspension.

In foreign politics, also, the new Chancellor has shown himself more conciliatory than was expected. At the Lausanne conference on reparations, while reasserting Germany's incapacity to pay annuities under the Young Plan at the expiration of the Hoover moratorium on July 1, he willingly admitted Germany's obligation to pay something to France in lieu of a final settlement abolishing reparations. (See James T. Gerould's article, page 573 of this issue.)

FURTHER HITLERITE GAINS

In the elections to the State Diet of Hesse on June 19 the National Socialists again showed an increased following. They polled 322,268 votes as compared with 314,039 on the second ballot in the Presidential election on

April 10, and 291,183 in the last election to the Diet, in November, 1931. The Nazis' gains, however, did not give them a majority, as they obtained only 32 of the 70 seats, as against 27 in the last Diet, which was dissolved while deadlocked when the November elections were annulled by the courts. The Diet will again be deadlocked, as there will be neither a Right nor a Left majority. The Socialists gained two seats, raising their total to 17, and the Communists lost three, dropping to seven. The Centrists continued to hold their ten seats.

NO LOAN FOR AUSTRIA

In spite of long haggling between Austria and the Committee of Thirteen of the League of Nations over a new loan, no decision was reached. After a fortnight's strained negotiations Sir Robert Kindersley of the Bank of England and Joseph R. Swan of the Guaranty Trust Company, representing British and American banks, which lent \$70,000,000 in short-term credits to the bankrupt Creditanstalt, left Vienna on June 13 without having reached a compromise with the Austrian Government. The government had made various proposals, including the taking over by the foreign creditors, in lieu of \$25,000,000 of their claims, of the assets of the Creditanstalt in the form of oil and sugar refineries and other industries. These were refused by the creditors.

Meanwhile, Austria's trade balance continued unfavorable, and it became clear that without a loan she would not have a sufficient trade balance to pay the interest on the League of Nations loan made to her in 1923. She

had hoped to find her way out of the difficulty by a new loan from the powers represented in the League. But when no decision was reached on this at Geneva, Austria virtually put into effect a transfer moratorium on the service of the 1923 loan. Thereupon the League trustees for the loan refused to hand over to the Austrian Government the remainder of the gross customs and tobacco monopoly revenues, although the total income from these pledged sources is \$6,000,000 monthly and the service on the League loan is only \$1,500,000. This 1923 loan is the only League loan which the great powers will have to make good if Austria defaults.

SWISS WIN WORLD COURT VERDICT

The thirteen-year-old dispute between France and Switzerland over the free zone of Upper Savoy and the district of Gex near Geneva was ended on June 7, when the Permanent Court of International Justice delivered a 6-to-5 verdict in favor of Switzerland. The court decided that the free zones, which had been created in 1815 and 1816, and were abolished in 1923 by France, should be maintained. Accordingly, France will have to withdraw its customs lines by Jan. 1, 1934, in conformity with the provisions of 116 years ago. Mr. Frank B. Kellogg was among the majority favoring Switzerland, as were also the court president, Dinosio Anzilotti of Italy, and Judges Loder, Ode, Huber and Beichmann. Much satisfaction was felt at Geneva in the verdict, not merely because it was in favor of the weaker litigant, but also because it was far more clean-cut than even the court's friends had dared to hope.

Spanish Unity at Stake

By WILLIAM E. LINGELBACH

*Professor of European History, University of Pennsylvania;
Current History Associate*

DISCUSSION of Catalan autonomy along the lines recently outlined by Prime Minister Azana continued during June to occupy the attention of the Spanish Cortes and the nation. On June 10 the Cortes by a vote of 172 to 12, a majority of the deputies absenting themselves, voted the first article of the Catalan statute: "Catalonia is created an autonomous region within the Spanish State. Its representative organism is the Generalidad. Its territory comprises the provinces of Barcelona, Lerida, Gerona and Tarragona. This becomes effective at the moment the statute is complete."

Two weeks later, on June 23, by a vote of 191 to 112 the second article was voted, establishing the equality of the Catalan tongue in Catalonia with Castilian, which, according to Article 4 of the Constitution, is the official language of Spain. Much opposition developed to this article, and white-haired Miguel Unamuno sarcastically remarked that "it was like giving the Bretons equal rights with the French." But the government held to its policy of Catalan autonomy with the guarantee of Spanish unity. Azana in a speech before the Republican Action Society of Madrid declared that he would not modify his stand even if it meant his leaving the government. The Catalans are already inaugurating a vigorous drive for the use of their own language instead of Castilian.

Obviously the concessions of the Cortes to the separatist demands of the Catalans are due in no small degree to the government's reluctance to let matters come to a crisis until the republic has been more securely es-

tablished. Signs of a temporary reaction to the Right are clearly manifesting themselves and the parties in control are extremely anxious to avoid an election at this time. On the other hand, the concessions to the Catalans are arousing the aspirations of other regional groups.

During June the commission chosen by the Basques to draft their statute for regional autonomy, after prolonged sessions at Vittoria, completed its work. The statute provides for an autonomous State to be called Euskelerra, the equality of the Basque language with Castilian, an elected parliament and a permanent council. Like that of Catalonia, the Basque statute calls for considerably more independence than the Madrid Nationalists are disposed to grant.

Minor disorders occurred in June at Madrid, Barcelona and Bilbao, and several policemen and rioters were killed or wounded. Judging by the arrests, monarchists have been again actively plotting. On June 16 General Luis Orgaz, whose brilliant record as a soldier kept him on the government payroll, though he was relieved from active service because of his known monarchist sympathies, was arrested at Teneriffe in the Canary Islands. Others under arrest are General Emilio Barrera and Don Baron Mora. They were accused of complicity in a plot to restore Alfonso, which the press claims has dangerous ramifications throughout the Basque and Navarre regions.

For some time the question as to what the republic would do with the property of the ex-King has been under consideration. When the Ger-

man republic was established after the war the Constitution makers at Weimar in their anxiety to avoid all ultra-radical tendencies guaranteed the rights of private property so thoroughly that the Kaiser's great wealth was protected by the laws of the Reich. The Spanish republicans look at the matter differently. On June 19 the Director of the Treasury declared the private fortune of Alfonso confiscated. Valued at about \$3,000,000, it consists chiefly of cash, securities, jewels and works of art; the landed estates and palaces were taken over by the State when the republic was established. While the republic is seizing the property of the exiled King it is being asked to pay reparations to the church for the damage done during the disorders of the revolution. The claims against the government filed by Mgr. Tedeschini, the Papal Nuncio, demand payment for fifty churches and monasteries burned in the riots of May 11, 1931.

Juan March, Spain's "bad boy," reputed to be the richest man in Spain, was on June 15 arrested and charged with swindling and being "a danger to the republic." A week before, the Cortes had ousted him as a Deputy because of bribery and "moral incompatibility." According to the evidence, under the monarchy he had been so successful in smuggling contraband tobacco that the King, in order to secure at least a partial return to the State, granted him a monopoly. Even then March, who until the age of 21 was unable to write his own name, continued his contraband operations, cheating his own company. During the discussion of March's affairs Indalecio Prieto, former Minister of Finance and now Minister of Public Works, was accused of granting an illegal concession of the Moroccan tobacco monopoly to a Spanish company which is reported to be a subsidiary of a French concern. The Opposition also declared that the contract involved a loss to the government of over 200,000 pesetas (at

present exchange rates, about \$16,200). The charges caused a great stir, but after the matter had been thoroughly aired, the Cortes, in a stormy session, passed a vote of confidence in the government.

Further evidence of the government's direction of commerce appeared in an announcement on June 19 by Ramon Viguri, governor of the Exterior Bank of Spain, in which he said that he had been officially designated to establish contacts for trade organization with a view to a direct exchange of merchandise and products on an enormous scale. His first efforts are being directed toward a working arrangement with the Argentine Republic for the exchange of Spanish cotton goods, rail supplies and ships for Argentine wheat.

ITALY'S DEMAND FOR COLONIES

Italy's demand for colonies, voiced by the Grand Council of the Fascist party, took more definite form during June. In two public speeches, notably one before the Senate on June 10, Foreign Minister Grandi made it fairly clear that Italy was ready to bargain for a mandate in Africa. After denouncing the dilatory inconclusiveness of the General Disarmament Conference and the futility of the French proposal for an armed force under the League of Nations, he set forth Italy's claims to colonial opportunity, laying special emphasis on the need of room for her surplus population—an important factor, he declared, in the problem of world peace. The particular regions envisaged were not definitely mentioned, but it is easy to see that former German Togoland, or more especially Kamerun, because of its location with respect to Lake Tchad, is in his mind. What is equally clear is that an accord with France is looked upon as the logical, in fact, the only, means to this end.

In the meantime, Italy promptly accepted President Hoover's proposals for a cut in armaments as a pre-

liminary step toward the reduction of reparations and war debts. Later, however, Grandi entered a definite protest against the drastic slash in reparations proposed in the negotiations between the powers unless it was associated with a corresponding scaling down of war debts. On June 17 the London *Daily Express* published a violent denunciation of the American Government by the Duce. Although Mussolini refused to accept full responsibility for the interview, the strictures reflect, nevertheless, the dissatisfaction in certain European quarters with what is regarded as America's lack of international co-operation.

Angelo Sbardello, the would-be assassin of Mussolini, went on trial on June 4, less than two weeks after his arrest. Defense counsel argued that, since he had not attempted to commit the crime, he could not be sentenced under the law. But the court thought differently and, after deliberating for ten minutes, returned a verdict of guilty and ordered the death sentence. Twelve hours earlier the Special Military Tribunal under the Defense of the State act had condemned Domenico Bovone, the terrorist, whose sensational bombings led to his arrest last September. Both were sentenced to be shot in the back. Six of Bovone's accomplices were given varying terms of imprisonment.

Statistics for the first five months showed improvement in the Italian trade balance over the same period of 1931. On the other hand, the total trade fell off materially. Imports during the period amounted to about \$186,850,000, as against \$261,700,000 and \$303,850,000 in 1930 and 1931 respectively, while exports fell to \$138,150,000 as compared with \$201,000,000 and \$206,600,000. The excess of imports over exports has therefore been reduced to \$49,700,000 from \$60,700,000 in 1931 and \$97,250,000 in 1930. The decline in the total trade figures is in part the result of falling prices; the better trade balance is due

to restrictions on imports from abroad and to the propaganda in favor of home-made goods.

The government is doing everything in its power to improve the economic situation. In a vigorous attack on speculative and risky trade ventures promising high returns, Finance Minister Antonio Mosconi early in the month summoned the banks and other credit institutions to a conference for the promotion of safer investments. In response, the Bank of Italy reduced its discount rate from 6 to 5½ per cent.

Despite easier money, however, security prices continued to decline, which was also reflected in a falling off in production. In an effort to stabilize the price of wheat in the domestic market, a large appropriation was voted on June 30 by the government's grain committee. The unemployment situation has improved somewhat because of the return of seasonal activity in certain lines, especially in agriculture.

The national deficit for the financial year closing on June 30 appears to be about \$75,000,000, exclusive of \$50,000,000 ninety-year treasury bonds recently issued. This is not as serious as it appears, because of the large increase of nearly \$50,000,000 in cash held by the government.

Strange as it may seem, the depression of the last few years has not brought with it the usual increase in emigration. In fact, the number of emigrants has fallen off decidedly in recent years. The reason is doubtless to be found in the restrictive measures of foreign countries and in the systematic efforts of the Fascist Government to provide work and opportunity. Vast projects for public works and the reclamation of waste lands are a conspicuous part of the program. Work on the Pontine Marshes, draining them, removing the causes of malaria and making the vast area fit for agriculture, is nearing completion. By Autumn, peasant families from all

parts of Italy will move into the region, which is being scientifically developed to accommodate more than 100,000 people.

Relations with the Vatican continue cordial. On June 15 Prince Boncompagni Ludovisi, the Governor of Rome, renewed the old custom, interrupted in 1870, of paying an official visit to the Pope. It is one of many official acts following upon the reconciliation between the Papacy and the Italian Government.

PORTUGUESE CABINET RESIGNS

On June 25, while the new Portuguese Constitution was under discussion preparatory to a referendum vote by the people, the Oliviera Ministry, which had directed the government since 1930, resigned. The reasons for its resignation were not made public, but no disturbance was associated

with the withdrawal of the Ministry, since the military dictatorship of President Carmona had entire command of the situation. Although suffering less from the general depression than more highly industrialized countries, Portugal is resentful of the recent French increase of 15 per cent in duties on Portuguese imports. On June 18 customs officials were ordered to hold back French imports, the action being interpreted as the beginning of retaliatory measures and a possible Franco-Portuguese tariff war.

From London came the news, on July 2, of the death of Portugal's ex-King, Manoel. He succeeded to the throne upon the assassination of his father and brother in February, 1908, as Dom Manoel II. Two years later a revolution took place and the young King left Portugal, never to return. Since then he had lived in England.

Hungary in a New Cabinet Crisis

By FREDERIC A. OGG

Professor of Political Science, University of Wisconsin; Current History Associate

HUNGARY in the middle of June averted the threatened resignation of Premier Karolyi and his Cabinet by obtaining an agreement from the banks not to press for the payment of agrarian debts until Autumn. As a result the farmers' section of the coalition government continued to support the Ministry. Nevertheless, the Premier continued to talk of resignation and, on June 30, did resign, ostensibly because, in obtaining the adoption of the budget and other measures for the country's financial rehabilitation, the Ministry had accomplished the task for which it was appointed. Admiral Horthy, the Regent, refused to accept the resignation, and it was not believed that any

actual change would take place. Speculation was rife as to whether ex-Premier Bethlen, who, after a period of eclipse, resumed political activity a few weeks previously, would not be found presently at his old post. But the idea was pretty well dispelled by the warmth with which the Regent lauded the services of M. Karolyi and his colleagues.

On June 18 Deputy Zoltan Mesko—adorned with a Hitlerite mustache and a brown shirt—announced in the Chamber of Deputies the formation of a Hungarian National Socialist party, with an ultra-nationalist program similar to that of the German Nazis. Among the planks in its platform is the confiscation, for national

purposes, of all property acquired in war-time.

The Hungarian National Bank has received and paid into a special "closed account" 50,000,000 pengos—nominally \$8,750,000—owed by State, provincial and municipal bodies and private individuals to creditors abroad, but under the country's moratorium is prohibited from transferring the money. The eventual decision as to what is to be done with it will be significant not only to Hungary but to other Central European countries—Austria, Bulgaria, Greece, perhaps even Germany—that are likely to impose transfer moratoria soon, and likewise to their creditors, including Americans, who have some \$200,000,000 at stake, exclusive of German indebtedness.

ELECTIONS IN RUMANIA

As the result of a decree on June 12 dissolving the Rumanian Parliament, a new Chamber of Deputies was to be elected on July 17, with elections for the Senate three days later. The campaign of the National Peasant party was formally opened on June 26 at a mass meeting in Bucharest reminiscent of the gathering of peasants at Alba Julia, preceding the party victory of four years ago which swept Julius Maniu into the Premiership. The demonstration on June 26 was actually inspired by Maniu, who, after a long period of retirement, had made his peace with King Carol and was now expected to succeed M. Vaida-Voivode as Premier if the National Peasant party were victorious at the election. The Peasant program, published the same day, favors Danubian economic cooperation, adoption of a policy of import quotas and abolition of protection for all industries not using Rumanian raw materials.

The Bucharest Government, which has been struggling with financial problems—including that of paying overdue salaries and pensions—was informed on June 17 that France was

ready to grant Rumania a loan if it is issued under the auspices of the League of Nations. Nicolas Titulescu, Ambassador to London, was entrusted with the task of making the necessary arrangements.

Charles A. Davila, who resigned as Rumanian Minister to the United States in November, 1931, in order to re-enter politics, has accepted reappointment as Minister. His resignation did not become effective until March 1, and actually he was still in charge of the legation in Washington when reappointed in June.

POLAND'S NON-AGGRESSION PACT

Guided by Marshal Pilsudski, the Polish Government has for some months been insistent upon the simultaneous signature of non-aggression pacts with Soviet Russia by Poland and Rumania. But the latter has held back, partly because of unsettled political conditions and partly because of unwillingness to sign unless Russia recognized Bessarabia as part of Rumania. After weeks of tension between Warsaw and Bucharest over the matter, the former decided to proceed alone, and, on June 20, it was reported that a pact would be signed in the near future. Later, however, it appeared that before the Warsaw authorities proceeded with their purpose, a fresh attempt would be made to bring Rumania and Russia into agreement on the Bessarabian question.

On June 15, in the midst of ceremonies at Danzig to welcome five British destroyers, the Polish destroyer *Wicher* steamed into the harbor unannounced, docked near the Polish ammunition depot and remained for five hours. Taking advantage of a recent League of Nations decision that Polish warships intending to visit the free city must observe international rules, the Danzig authorities protested to the League commissioner, to whose inquiries the Warsaw Govern-

ment replied that the Wicher entered the harbor only as a courtesy escort to the British craft, and that Poland has never accepted the validity of the League's ruling on the subject. Later in the month the Warsaw Government maintained that a projected visit of the German Navy to Danzig was ill-timed, but efforts to procure a postponement were unsuccessful.

In an effort to aid business and labor, as well as to insure the payment of taxes, the Polish Government issued a decree on June 12 to the general effect that the salaries of executives in industry, commerce, banking and insurance should be in proportion to the paying capacity of the enterprises as well as the earning power of the employees and the state of the employment market. Where salaries exceed \$350 a month, reductions may be demanded by members of the board of directors of a company, or by the officials of the income-tax department in case taxes are in arrears, or by the Ministry of Labor if there are arrears in the payrolls. Refusal to comply with such demands may be made a basis for action in the courts.

GREEK FINANCES

A few hours before the Hoover moratorium on intergovernmental debts expired on June 30 the United States Treasury was notified that Greece would not make payment of \$130,000 due on July 1 on account of the principal of her debt of \$30,292,000 to the United States but would postpone it for two and a half years under the moratorium provision of her debt-funding agreement of May 10, 1929. Interest payments are not postponable under the terms of this agreement, and should they fail the country would be in default. No payment of such a nature is due the United States before next January, but the Athens Government has already defaulted interest payments on League of Nations bonds. Secretary Mills expressed the opinion that the Greek postponement

of principal is not significant with respect to the general debt situation.

Negotiations were concluded on June 10 for the future control of the Greek State railways by a French financial group, and it was announced that a representative of the Paris, Lyons and Mediterranean Railway would soon go to Athens to organize the new administration. The arrangement was construed in European diplomatic and financial circles as bearing out the suspicion that France is endeavoring to obtain control of the railways of the Central European and Balkan countries.

The Athens Government is reported to be bent upon a revival of the Military League for the Support of the Republican Régime—an organization which pledges itself to prevent the formation of a royalist government even in the unlikely event of a royalist majority after the Autumn elections. Meanwhile, the banishment of General Pangalos and twelve of his adherents has been canceled on the ground that it is no longer necessary.

YUGOSLAV DISAFFECTION

Croat disaffection in Yugoslavia was stirred afresh and the Cabinet placed on the defensive by a murderous attack in Belgrade on June 6 upon Dr. Mile Budak, a prominent lawyer of Zagreb and a fervent Croat nationalist. It was charged that Dr. Budak's assailants, who were arrested, were members of the government's secret police in Zagreb. The attempted assassination of two Bosnian Mohammedans in Zagreb a week later was believed in Croatian Nationalist circles to be the work of Young Yugoslavia, the Serbian Nationalist terrorist organization, which is held responsible for the death, not long ago, of Professor Milan de Sufflay, the Croatian leader.

BULGARIAN LOANS

Speyer & Co., New York bankers, announced on June 16 that the trustees of the Bulgarian settlement loan

of 1926 and the stabilization loan of 1928 had given notice that for the period from April to September of the current year the Bulgarian Government intended to remit only one-half of the amount required for the payment of interest and sinking fund on the two loans. Subject to the consent of the commissioner of the League of

Nations, the remaining half was to be paid in leva to the National Bank of Bulgaria and temporarily used for the liquidation of budget arrears. It was further announced that the Sofia authorities had requested the trustees to notify the holders of the loans to form a committee to negotiate in regard to future service of the loans.

The Dispute Over Greenland

By RALPH THOMPSON

THE question of the sovereignty of Greenland has been argued by Denmark and Norway for a long time, but just about a year ago, on July 10, 1931, the issue was transferred from the realm of polite and theoretic disagreement when Norway, after an extended debate with her sister nation, felt forced to declare East Greenland between 71° 30' and 75° 40' a Norwegian possession. Denmark immediately protested this positive action, calling it "an unjustifiable intrusion and a breach of the existing legal position as expressed in valid treaties." The matter thereupon was placed by common consent before the World Court, and that tribunal is about ready to hear the case.

It has been unofficially stated by both Danes and Norwegians that the sovereignty of all Greenland is not worth disputing, and, national prestige to one side, there is something to be said for that point of view. The great island, which covers 825,000 square miles, is itself covered for the most part by an ice-cap about 1,000 feet thick, and of the 15,000 inhabitants only a few hundred are Europeans. Hunting and fishing are carried on, however, and there are certain mineral deposits, notably of cryolite.

But probably these evidences of the limited though none the less actual physical value of the territory have not alone prompted the dispute; since there is a good measure of nationalism involved, it is fortunate that a body such as the World Court has been empowered to act on a matter which conceivably might engender bitter enmity between the two countries concerned.

There is no real dispute over West Greenland. A few patriotic Norwegians insist that it should be Norwegian territory, but their point of view must be outlawed by a statute of limitations, for Denmark has exercised actual sovereignty over West Greenland for more than 150 years, at first as a major party in the Dano-Norwegian State, and later, after 1814 and the dissolution of the union between Denmark and Norway, on its own accord. Whether it was through Danish or Norwegian effort that Hans Egede settled Godthaab in 1721 is beside the point; the fact is that the West Greenland trade has been a monopoly of the Danish Government since 1776 and that the affairs of the colony are regulated by the Danish Government, which is said to subsidize the territory to the ex-



GREENLAND

Black Area Claimed by Norway

tent of about \$150,000 annually. Whatever differences of opinion on West Greenland still exist are apparently due to the fact that when the central government of the two nations was dissolved by the Treaty of Kiel, no definite disposal was made of Greenland and certain other insular territories.

East Greenland, however, is a quite different matter, even though it is but the eastern portion of a generally acknowledged Danish possession. The reason for this is to be found in the difficulty of communication between the two sea-coasts, which are separated by an icy wilderness averaging 450 miles across. Within historic times there was no settlement in East Greenland until 1894, when Danes established Angmagssalik. More recently Eskimos have been transported to the Scoresby Sound region and settled there by Danes. Otherwise there have been no permanent colonies, and

trappers, hunters and explorers from many nations have roamed the territory as they pleased.

In 1916, in connection with the sale of the Danish West Indies to the United States, Denmark attempted to have international recognition accorded to her claim over East Greenland. The American Government replied that it would not object "to the Danish Government extending their political and economic interests to the whole of Greenland," and certain other nations made answers of the same import. Norway, however, objected, and has continued to object. Her position was that East Greenland was subject to no national sovereignty—that it was No Man's Land—and that sovereignty could be acquired only by occupation. Norway felt that Denmark could be granted the territory only if all other interested nations were willing to make her a gift of it—and that Norway had no intention of doing. Since Danes had settled Angmagssalik, Norway conceded that locality to Denmark, and when the Scoresby Sound region was populated, she conceded that also. The remainder of East Greenland was held to belong to no nation.

Early in 1921 Denmark made a further effort toward acquiring East Greenland, but met with the same resistance from Norway. On May 10 of that year, however, the entire island was declared to be a Danish territory, and on June 16 all coasts and islands were ordered closed to non-Danish vessels. Apparently these positive actions were taken by Denmark after Foreign Minister Ihlen of Norway had made a verbal statement to the effect that his country would no longer oppose them. But Norway refused to consider herself bound by a verbal statement, and individual Norwegians continued to operate in East Greenland as they had for nearly a century, despite Denmark's enunciation of her so-called rights. In 1922 the Norwe-

gian Meteorological Institute established a temporary weather-warning station at Myggbuta, which is about midway between Davy Sound and Wollaston Foreland. Denmark protested this establishment and other similar "encroachments."

In 1924 some degree of understanding was achieved with an agreement concluded on July 9 between representatives of both countries. Free access in East Greenland for the purpose of hunting, trapping and fishing was granted for twenty years, except in the Angmagssalik district and about Scoresby Sound in the event that Eskimos were settled there, as was then contemplated by Denmark. The agreement did not establish sovereignty, each nation remaining firmly by its original attitude—the Danes that the territory was Danish, the Norwegians that it was No Man's Land.

The status of East Greenland remained thus actually undetermined early in 1931, although the region between Davy Sound and Wollaston Foreland had for some time been assuming a Norwegian complexion. According to Professor John Skeie of the University of Oslo in his book, *Greenland: The Dispute Between Norway and Denmark*, (New York, 1932), Norwegian trappers' huts along this stretch of some 300 miles number 80 to about half a dozen Danish buildings. Therefore Norway protested when on March 14, 1931, the Danish Government announced that it had given police authority to a Danish scientific expedition headed by Lauge Koch which planned to work between Davy Sound and Wollaston Foreland. On June 30 Norway proposed that neither country exercise sovereignty or grant police power in East Greenland until the expiration in 1944 of the 1924 agreement. Denmark being unwilling to accede to this proposal,

Norway issued its decree of July 10, and formally annexed the territory between 71° 30' and 75° 40'.

RUSO-FINNISH PACT SIGNED

President Svinhufud of Finland signed a non-aggression treaty with Soviet Russia on July 7, and Finland thereby became the first Baltic State to conclude a definite pact of amity with the Soviet Union. When the Finnish Parliament sanctioned the treaty in April it was felt that formal signing would be postponed until Russia had succeeded in negotiating similar agreements with her other European neighbors, but that this has not been the case is probably due to the fact that Finland is anxious to improve her commercial relations with Russia. Finish farmers recently began regular deliveries of butter, milk and eggs to Leningrad, and the Soviet Government in turn placed several orders for steamers and machinery with Finnish companies.

LIQUOR CONTROL IN FINLAND

It appears that the Finnish liquor law which went into effect early in April has displeased others in addition to the ardent prohibitionists who recognized it as a repudiation of their efforts to save the country from the curse of drink. The control now set up is alleged to be too strict; dispensaries are closed every Saturday, Sunday and Monday, as well as on days preceding and following all holidays. In other words, sales may not be made on 183 days of the year. It is also said that the beers and wines are too expensive, and that as a result there is an unfortunate tendency to strong liquors—ordinary French wine costs between \$1.50 and \$2 a bottle, while good Scotch whisky can be bought for \$2. That beer is not being bought in large quantities is borne out by the fact that it brought in only about five per cent of the State monopoly's income during April.

Soviet Economic Disappointments

By EDGAR S. FURNISS

Dean of the Graduate School, Yale University; Current History Associate

As the final year of the Soviet Five-Year Program nears the half-way point, the press of the Soviet Union has begun to take a somewhat pessimistic view of the prospects of success. Conditions in the heavy industries, whose progress since the beginning of the year has been very uneven, appear to have changed for the worse since the end of the first quarter.

The automotive industry is a case in point. This industry, because of its pivotal position in the program for the mechanization of agriculture, has come to serve as the barometer of economic progress in the Soviet Union. Despite the complete breakdown of one of its largest units early in the year, production statistics for the first quarter showed a rate of development in the industry as a whole which was not far short of schedule. But a very different picture was presented by the Soviet press in June. The Stalingrad tractor plant, after falling 50 per cent behind its schedule, was closed on June 15 for general reorganization. The automobile factory at Nizhni-Novgorod, scheduled to begin mass production on April 15, has not yet begun operations on a large scale, and its small output was declared by *Pravda* to be 80 per cent defective. Production at the Amo plant in Moscow, which had risen to seventy trucks daily, slumped in June to half that number. The tractor output of the Kharkov plant has fallen 70 per cent from its former level.

If one can take at their face value the explanations appearing in the official press, these unsatisfactory conditions are symptomatic of a decline

in efficiency which has affected the heavy metal trades in general. The Soviet authorities attribute the difficulties of the automotive factories in the main to a decline in output of the basic iron and steel industries of the country. Thus President Ordjonikidze of the Supreme Economic Council, in a statement published on June 21, severely censures the steel plants for their "extremely unsatisfactory accomplishment" and threatens severe discipline for their managers unless there is immediate improvement. Apparently these branches of Soviet enterprise have also fallen into difficulties since the first quarter of the year, when the official summaries of production described them as "in the lead."

Other and even more fundamental weaknesses appear in the industrial record as published in the government press. Statistics of increased output are not in themselves an indication of sound economic progress. If costs increase faster than output, the community is obviously losing ground in terms of the general welfare; this seems to apply generally to Soviet industry. The quarterly summary already referred to points out that, although the program called for a reduction in production costs of 6.1 per cent, actually there was an increase of 0.7 per cent in January and of 2.4 per cent in February. No later figures are available, but in the recent decline in general productive efficiency these qualitative factors can scarcely have improved. The attempt to attribute this disappointment over production costs to wage increases merely emphasizes the fact that the

money income of the worker is a faulty index to his material welfare. Soviet industry will not have demonstrated its economic fitness until it has shown itself capable of supporting increasing wages without a rise of unit costs, and this achievement obviously lies in the future.

The shortcomings of the industrial program, moreover, are not being offset by gains in agriculture. Recent figures indicate that the Spring sowing campaign for the current year has fallen behind that of 1931, both in absolute amount and in relation to the requirements of the program. Up to June 5 the number of acres cultivated was 206,000,000 acres as compared with 211,000,000 at the same date last year; these figures represent 80 per cent and 84 per cent of the schedules for the two years respectively.

But it should not be inferred from these facts that the concluding year of the Five-Year Program must end in disaster for the Soviet régime. The difficulties besetting Russian industry are significant principally for the light they shed on the long-run development of Soviet economy and, especially, for their bearing on the oft-repeated prediction that the Communist State will promptly take its place at the forefront of modern industrial nations. Such a consummation of Soviet economic planning, if it ever occurs, will be a matter not of years but of generations of hard work and of learning by trial and error. With all the obstacles created by the poverty of the country and its isolation from foreign sources of capital, the acquisition of the material equipment of industry is the easiest part of its task. Dictatorship can squeeze from a docile people the purchasing power required to obtain from other countries the appliances of modern industry and to hire foreign experts to organize them into productive units. But to change the settled habits of the people, to impart to them skill and

technique and ways of living foreign to their mores, and above all to train a sufficient number of them in the arts of managing enterprises that are alien and outlandish—these things cannot be done by decree of political authority however absolute and autocratic. The foreign observer of Russian affairs should remember that the principles of social organization contained in communism have not yet met the test of successful, efficient operation in the practical affairs of life. The triumphs of the Five-Year Plan thus far have been chiefly in the externals of the industrial system.

It is obvious, however, that a disappointing conclusion of the Five-Year Plan will not weaken the political control of the Communist party or undermine the authority of its leaders. Success and failure are terms susceptible of various interpretations. The present statistical shortcomings of the program are relative to the revised schedules with their slogan "Five Years in Four," not to the original objectives of the plan. By casting back to the figures of 1928 it can be shown that the record of accomplishment to date is well ahead of the original expectations for the present year; from that standpoint the program has been abundantly successful. Moreover, the rulers of the country are taking steps to insure that this shall be a year of substantial progress in the things which most nearly concern the common man—his food supply and the conveniences of his daily life.

The agrarian decrees which have reduced the government's requisition of farm produce and established free trade in grain, meat and dairy products are intended primarily to increase the prosperity and contentment of the vast peasant population, and secondarily to relieve distress in the urban centres. Their effect thus far has been meager. The peasant finds it hard to believe that activities for which he was severely punished a few weeks ago have suddenly become legal and

meritorious and, accordingly, he is slow to exploit his new opportunities for profit. But the Kremlin is demonstrating its sincerity of purpose in ways which will presently overcome the peasant's suspicion. Nation-wide propaganda, as typified by President Kalinin's appeal on June 3, urges the farmer to turn the new freedom of the market to his personal advantage. The State Bank has set aside 10,000,000 rubles to finance private trade in foodstuffs, and the municipalities are investing large sums in the construction of attractive market places.

As an indispensable complement to the new agrarian policy the Soviet authorities are trying strenuously to increase the supplies of products for household use demanded by the peasants in exchange for their foodstuffs. The schedules of output for all the light industries have been increased, even at the cost of retarding the heavy metal industries which have heretofore received major emphasis. Thus cotton cloth production has been raised almost 1,000,000,000 meters; 91,000,000 pairs of shoes are to be produced in 1932, as against 76,000,000 pairs in 1931; miscellaneous manufacture is scheduled to expand by 30 per cent during the course of the year, and orders have gone forth to all the market cooperatives to provide ample supplies of consumption articles for display in all the rural markets. By these means the Soviet authorities are undertaking to produce a general feeling of well-being throughout the country. Already, wherever the peasant population has responded to their efforts, the beneficial effect of the new policy has been evident in a sharp decline of food prices, an improvement in the morale of the industrial workers and a happier attitude on the part of the villagers.

The Ninth All-Union Congress of Trade Unions held in Moscow, in the Spring of 1932, gave the Soviet authorities an opportunity to emphasize their concern for the common welfare,

which is to be the keynote of this year's program. Since the last meeting of this body was held in December, 1928, the survey of the intervening years became an epitome of the progress of the Five-Year Plan in matters most closely affecting the working man. The statistical summaries presented to the congress contain an impressive record of improvement in the conditions of the wage earner's life. The average annual wage for industry as a whole has increased from 702 rubles in 1928 to 1,101 rubles at the end of 1931, or 56 per cent, and the program for 1932 proposes to raise the average wage to 1,202 rubles, an increase of nearly 70 per cent. The seven-hour day has been extended to over four-fifths of the workers. Other benefits not measured in terms of money income have accrued to the wage earners.

"The growth in the material well-being of the working class of the Soviet Union," says the official report of the congress, "can by no means be judged by the growth of individual wages alone. Social insurance, medical aid and other forms of so-called 'socialized wages' amounted in 1931 to over one-third of the individual wages. The most important factor of all in the increased well-being of the workers is the complete liquidation of unemployment, and the increase in the family budget through the employment of all the able-bodied members of the family, which has meant an average addition of 53 per cent to the income of the worker's family since 1928. Total appropriations for the construction of houses, schools, hospitals, crèches, public baths, &c., have increased from 3,371,000,000 rubles in 1927-28 to 9,733,000,000 rubles in 1932. For housing alone 511,000,000 rubles was spent in 1929-30, 910,000,000 rubles in 1931, and the plan for 1932 calls for 1,900,000,000."

These figures show how great is the poverty of the Russian people. An

average annual income of 1,202 rubles is only \$601 even at the nominal, and much exaggerated, gold value of the ruble. Moreover, this small income loses much of its meaning in terms of human comfort in a country whose markets are almost bare of consumption goods. The statistics of governmental expenditure on housing and other human needs merely emphasize the absence of decent social life which in progressive capitalist countries is commonplace. But there is no reason to belittle the achievement of the Soviet Union in these aspects of her national economy. That the Russian workers, at any rate, find their present circumstances supportable and and their future hopeful is made clear by their behavior during the past three years. The government has had no difficulty in attracting them into industry in increasing numbers.

The total wage earning population in 1928 was 11,590,000; by 1931 it had increased to 18,600,000, and it will increase again during the present year to 21,000,000. The membership of the trade unions, which are in reality organs of the State, increased during this period faster than population, 5,500,000 new members having been added between 1928 and 1932. The growth of the "shock brigade" movement—a voluntary organization of wage earners dedicated to the faithful performance of the Soviet program—is an indication of an increasing devotion of the workers to the purposes of their political rulers. From small beginnings in 1928 the membership of the shock brigades had expanded to include 29 per cent of all wage earners in 1930 and 72 per cent at the beginning of 1932. It is significant, too, that wage earners in other countries find the conditions of life in the Soviet Union sufficiently attractive to create an embarrassing immigration problem for the Soviet Government. The influx of aliens into the one country free of unemployment had risen to upwards of 1,000 a week when the government

took steps in the Spring of 1932 to bring it under control through a newly established department of immigration. This department, under the administration of Michael Borodin, has virtually prohibited further immigration by refusing admission to working men who do not come equipped with return tickets.

The Soviet Government announced on June 10 its intention to issue a new State loan of 3,200,000,000 rubles, the third of a series of approximately equal amount issued during the past four years. The loan is ostensibly a voluntary contribution by the Russian people out of their meagre incomes to the economic program of their rulers. In reality, however, the contribution is not voluntary, since an irresistible social pressure is brought to bear upon the individual to compel him to subscribe as a safeguard against charges of unpatriotic conduct. The Council of Peoples' Commissars has suggested that every wage earner invest three weeks' pay in the loan, and the labor organizations have raised this requirement to a month's wages. An active campaign in the villages brings similar methods of social compulsion to bear on the peasant. It is a foregone conclusion that the loan, supported by such devices of salesmanship, will be marketed successfully.

These internal Soviet loans have little meaning in terms of the financial position of the government, for they represent a transaction which has no counterpart in the public finance of other countries. With unimportant exceptions all money incomes in Russia are drawn, in the last instance, from the public treasury in the form of a paper money theoretically redeemable in gold. To induce the people to return a part of this money to the treasury as a loan is merely to substitute one form of public debt for another. The transaction does not open up to the government new sources of financial support; it contributes to the stability of the

monetary system and makes less difficult governmental control of the price structure. The significance of the Soviet public debt is to be found in its social rather than its fiscal aspects. It affords an opportunity for investment and creates a form of private income from property which does not conform to the strict principles of Communist theory. The present loan, for example, gives the individual a choice between two types of bonds—one bearing 10 per cent interest until

redemption, the other offering no interest but a chance to win a glittering prize in a series of lotteries. Investment in either promises as handsome a profit on the money advanced as is usually available to people in unre-generated capitalist countries. As the public debt increases—its amount this year will total nearly \$5,000,000,000—it will afford a wider opportunity for the exercise of capitalist virtues, thrift, saving and the search for profit.

Turkey Joins the League of Nations

By ALBERT H. LYBYER

Professor of History, University of Illinois; Current History Associate

TURKEY, through its National Assembly, on July 6 accepted membership in the League of Nations, and thereby left only two countries—the United States and Soviet Russia—as occupants of what is jokingly called “the non-League pen” at Geneva. The invitation to Turkey had been extended the same day by the League Assembly on a motion put a week earlier by Spain and seconded by Greece. The friendly spirit which marked Turkey’s joining the league was emphasized by the fact that in an address of welcome, Major Gen. Sir Granville Ryrie, once of the Anzacs, warmly praised the Turks for the skill and endurance they had shown at Gallipoli, in Palestine and in Syria during the World War.

The Turkish National Assembly on June 5 passed a law providing that only Turks might pursue certain occupations. Penalties were fixed in the form of fines ranging up to \$250. Only about 100 Englishmen and two Americans are said to be affected by the new law, but many thousand Greeks, Italians and Persians are henceforth

refused permission to practice as barbers, waiters, chauffeurs, musicians, entertainers, interpreters, clothing and shoe manufacturers, veterinarians, stock brokers and so forth.

As pointed out in these pages last month, a result of the visits of Premier Ismet and his companions to Russia and Italy is that Turkey is planning industrial reorganization on a three-year basis. In addition to advances amounting to \$8,000,000 from Russia, a credit of \$15,420,000 was obtained from Italy. One-third of the latter sum is to be provided in machinery and industrial material, one-third in cash and one-third is to be credited toward payment for four torpedo boats and two submarines which Italy had agreed to build for Turkey. A third sugar factory is to be established; the cotton industry will be advanced and coal mining facilities will be improved. Turkey desires to establish iron manufacture with her own ore and coal. Making use also of copper from her deposits at Arghana-Maden, she hopes to manufacture her own munitions of war. A system of

State cooperatives is contemplated, and this may be begun by controlling the production, manufacture and sale of opium. A collateral advantage of this plan will be that the suppression of illegal trade in opium will be made easier.

The Turkish Government has made considerable progress during the last ten years toward State control of industry, from a desire, it appears, not so much to imitate Russia as to train the Turkish people more rapidly in business efficiency. Whether by inherent ineptness or by tradition, the Turks have lacked initiative and enterprise, although they are disciplined and sober. The government has acquired the ownership of most of the railroads, and control of the State monopolies of tobacco, salt, gunpowder and alcoholic drinks, has established factories to provide clothing for the army and navy, has acquired most of the Turkish mercantile marine, and provides much of the capital used in banking.

SYRIA ELECTS A PRESIDENT

On June 7 the Syrian Chamber attempted to elect a President, but broke up in disorder. On June 11, however, a compromise was reached between the Nationalists and the French authorities, by which the former were to submit a list of four names from which the French might choose one. In this manner Ahmed Ali Bey el-Abed, a member of a wealthy family, who had been in the Turkish diplomatic service before the war, was elected President of the Syrian State.

According to criticisms of conditions in the Lebanon, which led to the recent suspension of the Constitution, officials were five times as numerous as necessary. Their pay compared with that of rich States and necessitated exorbitant taxation. The administration was bad and the Chamber functioned in a manner "which

history will blush to register." Some politicians were said to draw six pensions, because of having held different posts. A proposal for reform requested a Governor or President, chosen by election, a Chamber of fifteen members, the reduction of salaries, the suppression of unnecessary positions, the cancellation of many pensions and the institution of adequate research looking toward industrial and engineering expansion.

It was estimated at the beginning of May that out of 120,000 Armenian refugees in Syria and the Lebanon, three-fourths had been provided with stone houses, for which they were paying on a ten-year instalment plan. The money had been furnished by the League of Nations and various philanthropic organizations, particularly the American Near East Relief. It was expected that in the near future all the Armenian refugees would be removed from temporary barracks to substantial dwellings.

THE KURDS OF IRAQ

Another step has been taken toward quieting the mountain region in the northeast of Iraq. In general the process used in Turkey, Persia and Iraq for governing those portions of the Kurdish people which have fallen to each country is similar, involving the destruction of the tribal organization and attempts to replace it by officials of the ruling race. The Turks have transported many chieftains to Western Asia Minor. The Shah of Persia has been subjugating the tribes of Luristan. Last year the forces of Iraq, aided by the British Royal Air Force, compelled the surrender of Sheikh Mahmud of Southern Kurdistan. The terms involved his residence in a place approved by the government, with the enjoyment of a pension for his support.

In March of the present year the same combination of forces gathered farther north for the suppression of Sheikh Ahmed Barzan, who had been

refusing complete obedience and providing refuge for undesirable persons. In his case there was an unusual religious complication. Not long ago the tribe passed under his leadership from Christianity to Islam. But last Summer he abandoned the new religion and declared himself a divinity to be worshiped. A man not yet 40 years of age, illiterate but very capable, he held the complete loyalty of his immediate followers, but was forced to fight groups who were scandalized by his abandonment of Mohammedanism.

The campaign lasted about four months, a mixture of fighting and diplomacy. The Kurds ambushed the Iraqis and cut their lines of communication, but the Iraqis possessed superior weapons and the British aircraft performed prodigies of valor in the narrow defiles of the rugged mountains. The Sheikh persisted long in refusing offers similar to those made to Sheikh Mahmud in 1931. On June 24, however, he surrendered, together with his two brothers and about 100 followers.

A concession was granted in April to the new British Oil Development Company, to operate west of the Tigris River. The capital is apportioned 51 per cent to the British, 12 per cent to the French, 12 per cent to the Germans and 25 per cent to the Italians. The original capital is \$400,000, which is expected eventually to become ten times as much. Operations will be permitted for seventy-five years in an area of 200 miles square.

DROUGHT IN PERSIA

No Winter or Spring rain fell along the northeast shore of the Persian Gulf in the neighborhood of Bushire. The result was a total crop failure, followed by famine and a lack even of drinking water. Steamers bring water to Bushire regularly. Food-stuffs are imported and are very dear. Some parents are reduced to offering their children for sale. Theft and robbery are rife. Some villages have been

abandoned by their inhabitants, who have sought in the mountains food for their animals and for themselves.

THE SUEZ CANAL

Traffic in the Suez Canal was above the average of the last two years during the first half of 1931, but subsequently diminished. The total traffic for the year was 5 per cent below that of 1930, and 10 per cent below that of 1929. The receipts for 1931 were 980,000,000 francs, the expenditure 295,000,000 francs. The traffic was 30,000,000 tons in ships of an average size of 7,779 tons. During the first four months of 1932 the traffic showed a reduction of 10 per cent from that of the first four months of 1931.

THE MECCA PILGRIMAGE

The number of pilgrims to Mecca for 1932 has been estimated at 28,000, which is much less than in recent years. Only about 2,000 went from Egypt, as against 14,000 to 20,000 in other years. Economic troubles in the Hejaz are said to be not so bad as recently reported, and transport by automobile from Jeddah to Medina and Mecca and return has been stabilized at about \$57. Each pilgrim pays \$13.50, to be distributed to various persons or groups for protection and assistance. Hospitals with from 50 to 300 beds have been established at four different points and are attended by thirty physicians from Syria and other Arab countries.

The government of the Hejaz has employed for one year a Dutch financial adviser, who will live at Jeddah and study the financial administration, and in particular the customs system, with a view to recommending improvements. A commercial accord has been reached between King Ibn Saud and the Emir of Koweit.

ANXIETY IN ABYSSINIA

Announcement was made on June 9 that the former Abyssinian Emperor, Lej Yasu, had escaped from captivity and had begun to gather an army.

Soldiers of the present Emperor, Haile Selassie, were said to be deserting to the former ruler. Lej Yasu became Emperor in 1913, upon the death of his grandfather, Menelik. But the people were alienated by his tyrannical and corrupt government and by his disposition to turn Mohammedan. He was ex-communicated in September, 1916, by the head of the church and then deposed by the great nobles in favor of his aunt, Zauditu. Upon her death in April, 1930, the present Emperor succeeded to the title, after actually ruling the country for a num-

ber of years. The former Emperor had been during his fifteen-year captivity in the custody of his cousin, the Ras Kassa, himself a possible claimant to the throne.

Troubles were brewing at the same time on two frontiers—an Abyssinian soldier had attacked an employe of the French railways at Diredawa, and an Abyssinian tribe, the Jile Anuak, had sent about 600 men into the Anglo-Egyptian Sudan and raided a Negro tribe, killing twenty-seven and capturing three times as many, with 800 head of cattle.

Manchuria in World Politics

By TYLER DENNETT*

IN the Manchurian customs controversy, which has been rapidly maturing since the middle of June, Secretary Stimson's Far Eastern policy is meeting its first major test.

The customs incident began with the action of the Manchukuo régime on June 19 in forbidding the deputy collectors of Chinese maritime customs to remit their receipts to Shanghai. There are at least three phases to the dispute. Within the leased

railway area, which includes Dairen and Antung, where the bulk of the Chinese customs in Manchuria are collected, Japan is under obligation by treaty to handle these revenues as belonging to China. Outside the leased area the issue is nominally between China and the Changchun authorities, although, actually, since the latter authorities act in response to the directions of Japanese advisers and their commands are carried out by Japanese police, it would be difficult to show that Japan, again, is not the responsible government with which the powers must deal. The third party in interest is the foreign bondholder who is represented by the powers, particularly Great Britain and France and, to a less extent, the United States. The Manchurian customs are a part of the security for the service of the Chinese foreign debt and supply about 15 per cent of the total customs revenue of China.

Not much has been reported as to the action of the Manchukuo régime in the customs matter outside the leased area. If the action at Man-

*Dr. Dennett has joined the Board of Current History Associates as successor to Professor Harold S. Quigley, who, owing to pressure of other work, finds himself unable to continue as our regular contributor on Far Eastern affairs. Dr. Dennett, a graduate of Williams College and Johns Hopkins University, was connected with the Department of State as Chief of the Division of Publications and as Historical Adviser for nearly ten years until his appointment to his present position of Professor of International Relations at Princeton University. His books include *The Democratic Movement in Asia* (1918), *Americans in Eastern Asia* (1923), *Roosevelt and the Russo-Japanese War* (1924), a life of John Hay which will be published shortly, and a selection of Hay's letters and diaries which is now being edited.

chuli, on the Siberian border, on June 30, may be taken as typical, there has been no compromise with the desire of the Changchun officials to get their hands on some ready cash with the least possible delay. The Manchuli customs officer reported that his office had been surrounded and siezed by Japanese policemen and that it had been necessary for him and his staff immediately to evacuate. It is presumed that all Chinese customs receipts have been appropriated.

Within the leased area the situation is more acute and more complicated, since the Japanese Government is the acknowledged responsible authority. J. Fukumoto, the Japanese commissioner of the Chinese customs at Dairen, acting upon the advice of Mr. Kawai, the chief of the foreign affairs section of the Kwangtung Government at Port Arthur, refused to remit, and, when reproved by his chief, Sir Frederick W. Maze, repeated his refusal and, on June 24, was declared insubordinate. The reason given by Mr. Kawai was reported to be that he had good reason to believe that if the Kwangtung Government should fail to require that the Dairen customs receipts be retained, the failure would be regarded by the Changchun officials as "highly provocative." He feared retaliatory measures which would probably take the form of setting up new custom houses on the borders of the leased territory. The effect of such action would be that goods entering Japanese ports of entry in Manchuria would, before finding their way into the Manchurian market, be required to pay a second duty, which would greatly curtail, if not extinguish, Dairen as a commercial port.

The insubordination of Fukumoto consisted in obeying a Japanese official rather than the Inspector General of the Chinese customs. The latter, after conferring with T. V. Soong, the Chinese Finance Minister, dismissed Fukumoto, but he still remains in his office, while his Japanese staff,

which resigned, has been taken care of in the harbor offices of the South Manchurian Railway.

While Fukumoto voluntarily withheld the revenues of his office for the benefit of the Changchun authorities, in other cases the revenues were surrendered only under coercion. Robert M. Talbot, the American commissioner at Antung, surrendered his records at the point of a revolver when Japanese policemen entered his home on June 30. In reply to Talbot's protest the Japanese adviser declared that he was acting under orders and that he was prepared to ignore not only the Japanese Consul at Antung, but also all other interests concerned. Talbot was compelled to relinquish his work, but the Japanese Consul promised that his home would be protected from further illegal entry. The action at Antung is all the more significant because it followed several days after the incident at Dairen and after the powers had already made informal protests in Tokyo. It is apparent that the Japanese in Manchuria, those in the leased zone as well as those who are acting as the advisers of the new government, are solidly determined to hasten as rapidly as possible the complete separation of Manchuria from China.

After a week or ten days of informal conversations the British, French and American ambassadors in Tokyo, on June 29, made separate formal representations to the Foreign Office. The interests of the powers are of two sorts. To subtract the Manchurian customs receipts from the funds pledged for the service of the Chinese debts abroad is to reduce the security, already none too good, upon which these loans were made. In this phase of the question the American Government is not greatly interested, although some Chinese bonds are held in the United States. The other phase is a direct challenge to the Stimson policy. The Japanese Government, supported by the British, so it is reported, is seeking a compro-

mise by which the customs office at Dairen will remain under the Chinese customs, while at all other ports of entry the offices will be surrendered to Manchukuo. It is suggested that from the Dairen receipts there will be sent to China a sum sufficient to pay the Manchurian share of the Chinese foreign debt while the balance will be turned over to Changchun. It is difficult to see how such an agreement could be made without the recognition by all the powers of the Manchukuo State, and it has been reiterated in Washington that such recognition will not be given. A compromise along these lines would represent a sweeping disturbance of the administrative entity or integrity of China which the powers so often, and more recently in the Nine-Power treaty, have engaged themselves to respect. It would appear that American policy is again, as so often in the past, tending to support a theory, whereas the policies of the other interested powers contain more of the essential qualities of *Realpolitik*.

The Manchurian customs issue is closely tied up with the underlying question of recognition of the new State. The latter is obviously eager for immediate recognition, at least by Russia and Japan. For Japan to recognize Manchukuo now would not only separate Japan and the United States still farther but would also be little short of an affront to the League of Nations, whose commission, under Lord Lytton, has just made a survey of the Manchurian situation and is now in Tokyo. The Lytton commission will not make its report before the middle of September, and it is not expected that it will be in the hands of the Commission of Nineteen at Geneva for study before Nov. 1. It would certainly be a discourtesy for Japan to recognize the Changchun régime before the League of Nations has taken action upon the report of its commission. The customs incident, however, has made the recognition question acute

in Tokyo, as was, perhaps, intended by the Japanese military in Manchuria. The Diet has passed a resolution requesting immediate recognition and it is expected that it will be necessary to reconvene the Diet long before the commission makes its report in Geneva.

The Japanese Government, therefore, has to find a policy that will conciliate both the military in Manchuria and a substantial civilian party at home before the next meeting of the Diet. It is generally understood that Count Uchida, formerly president of the South Manchurian railway and the new Foreign Minister at Tokyo, favors recognition. Such a step probably will be prefaced by treaties and agreements with the new State, similar either to the Platt amendment which the American Government required Cuba to incorporate in her Constitution, or to the arrangements that Great Britain made with Egypt by which the latter became for many years practically a British possession. In any event it is not clear in what way the Stimson policy can be enforced if, with the acquiescence of Great Britain and France, Japan not only recognizes the new State but permits it to retain the customs revenue which formerly went to the Nanking Government.

Of less actual importance, but of no less significance in the international situation, is the possible recognition of the new State by the Soviet Union. Thus far Soviet policy toward Changchun has been both conciliatory and encouraging. "Moscow has been far more realistic than Washington ever since the outbreak of the Manchurian incident," observes Dr. S. Washio in the *Transpacific*. In fact, Moscow has taken several positions distinctly favorable to Manchukuo and has bound itself by no declarations prejudicial to it.

As early as March 2 the Soviet Government ordered its consul general, its commercial agent and the Russian director of the Chinese Eastern Rail-

way at Harbin to withdraw from Manchuria. Thus by possession of the Harbin office the Japanese actually have civilian control of the operations of the railway, in addition to the military control resulting from operations along a large portion of the line from Manchuli to Vladivostok. Tokyo has at times expressed some concern about the movement of Soviet troops toward the border, and there have been rumors of new entrenchments at Vladivostok, but the fact remains that Moscow seems to have accepted with complacency the recent change of government in Manchuria. The Chinese consular officers at Blagoveshchensk, Chita, Harbarovsk and Vladivostok have been encouraged, or forced, by the Soviet Government to vacate their offices in favor of representatives from Changchun.

In January Moscow proposed to Tokyo a non-aggression pact similar to those of the Soviet Government with the Baltic States. At first these overtures were kept secret, but eventually they were allowed to be reported from Moscow. The latter offered no protest to the Japanese occupation of Harbin, and recently declined to cooperate with the Lytton Commission in Manchuria. Evidently Russia has a desire to be conciliatory.

Premier Saito declared on June 2 that the attitude of the Soviet Government had been "perfectly correct," but, as to the non-aggression pact, the Premier appeared to be holding off, as would any good diplomat who believed that he could obtain better terms by delay. Saito declared that Japan had no desire to obtain any interest possessed by others in the Chinese Eastern Railway. Such a statement would be reassuring to France, to the Russian "Whites" and to the Soviet Government. On the other hand, it should be recalled that the Kamchatka fisheries negotiation has made no progress for a year and that the question of Outer Mongolia has yet to be settled.

Mongolia is frankly discussed in

Contemporary Japan—a new quarterly recently launched in Tokyo under distinguished auspices—in an article by Tokichi Tanaka, formerly Ambassador in Moscow and now Vice Minister for Foreign Affairs in Tokyo. Premier Saito expressed the amusing fear that the non-aggression pact might weaken the force of the Kellogg-Briand pact, but the Vice Minister for Foreign Affairs is more direct. The latter points out that Mongolia is now a closed territory for Japanese trade. Japan, he asserts, does not care who has political control, but she does desire the open door. Tanaka favors recognition of Mongolia as a sovereign republic, despite the fact that it is no more free from Moscow than Manchukuo is from Tokyo.

Putting all the evidence together, it would appear that the situation is ripening for an understanding between Moscow and Tokyo. Perhaps some agreement will be reached by which Japan will recognize the Soviet position in Mongolia in return for Russian recognition of the Japanese position in Manchuria. At the moment the situation is similar to that in 1903 when Japan sought Russian recognition of her right to freedom of action in Korea, and at the same time, demanded the open door in Manchuria. Then the Czar's government was unwilling to concede the desired privileges in Manchuria; the refusal brought on the Russo-Japanese War. Today the Russians are in a more conciliatory mood, but whether they will go so far as to admit the Japanese into Mongolia remains to be seen. If they make this concession, one cannot help wondering how long it will be before the Japanese will have a government in Mongolia, just as they once had one in Korea, and now have in Manchuria. Japanese policy today is so nearly identical with that of 1903-1905 that some of the diplomatic correspondence of that time, brought out with new names and dates, would pass for present-day documents.

The relations of Japan to the League of Nations are likely to be of extreme interest in the next few months. "It is impossible to say," asserted Premier Saito, in his first public statement, "that withdrawal from the League might not, under some circumstances, be the right course for Japan to pursue. But I hope that such circumstances may not arise." No doubt the official attitude of Japan toward the League will be determined by the nature of the report made by the Lytton commission and then by the Commission of Nineteen. Thus Japan holds a threat over the commission, for at the present moment it would appear that by withdrawing from the League Japan would lose less than the League.

While the Lytton commission has publicly committed itself to no recommendations, there are indications in the press reports from both China and Japan which seem to indicate that Great Britain as well as France is working zealously to effect a compromise which will permit Japan to continue as a contented member of the League. It is plain that Japan would withdraw without a moment of hesitation if such a step were necessary to conserve the fruits of the recent military operations in Manchuria. It may, in the next few months, be very difficult for the Stimson policy and the League policy to keep step. Some one in the Manchurian affair is likely to lose some face; at the moment it does not appear to be Japan.

Revolution Comes to Siam

By means of a swift and sudden revolution on June 26, accomplished without loss of life, Siam has slipped into the category of constitutional monarchies after a history of absolute monarchism. Within two days after the army and navy, which led the revolt in the name of the People's party, took charge in Bangkok and made known its intentions, King Prajadhipok announced his cordial acceptance of the constitutional limitation of his own powers. The chief causes of the uprising are believed to be economic. Exports of rice, which is Siam's chief commodity, had dropped because of the economic distress of China and Japan, her best customers. The imposition of new and heavy forms of taxation are also regarded as a factor. On the other hand, the character of the leadership of the revolt, the zeal and firmness with which Princes of the royal family, who were also chiefs of the government bureaucracy, were eliminated in the new government and the fact that there was no noticeable stir among the lower classes, seem to

indicate that the motivation might have been political as well.

The Constitution, which the King signed on June 27, established the principle of suffrage for men and women. Temporarily, the power of government will be vested in the King, a Senate, a Senatorial Executive Committee of fifteen and the law courts. All acts or decrees by the King must be approved by a member of the Executive Committee. The King may refuse to sign legislation by the Senate, but if that body insists on it, then it becomes law. The Senate will consist of seventy members, who, at first, will be chosen by the People's party. Within six months the election of half of the Senators will be transferred to the people on the basis of one for each province. When the general level of education is raised, the entire Senate will be elected. One of the first acts of the Executive Committee has been the appointment of a Cabinet directly responsible to it. No Princes are members of the Cabinet, the Committee or the Senate.

The Conventions of 1932

Continued from Page 526

June 30, the convention adopted with one loud "aye" the remainder of the platform. The only change or addition was the clause relating to human welfare, especially of children, which was written into the platform by the convention on the motion of Mrs. Caroline O'Day of New York, close personal friend of Mrs. Franklin D. Roosevelt. A plank for cash payment of the veterans' adjusted compensation certificates was voted down overwhelmingly, as were numerous schemes for inflation of the currency and for agricultural relief.

The selection of a nominee for the Presidency was begun the same day. Nine long nominating speeches, interrupted by endless parades and seconding speeches of friends of each of the candidates, ran the convention, after a short recess during early evening, far into the small hours of Friday morning. The candidates placed before the assembly were Governor Roosevelt, Speaker Garner, former Governor Smith, Governor Ritchie of Maryland, former Governor Byrd of Virginia, Melvin A. Traylor of Illinois, former Senator James A. Reed of Missouri, "Alfalfa Bill" Murray of Oklahoma and Governor George White of Ohio.

The new day was gleaming through the windows of the Stadium when Senator Connally of Texas, nominator of Speaker Garner, tried to get the body to recess, but the delegates decided by an overwhelming roll-call vote to stay and ballot. It was the strategy of the Roosevelt men to force the balloting then and there.

The arduous task of calling the roll was begun. A disgruntled member of the Minnesota delegation, voting under the unit rule for Roosevelt, demanded a poll of the delegation. This took more time. When New York was reached, John F. Curry, leader of Tammany Hall, demanded a poll. This

resulted in an overwhelming victory in that delegation for Smith, and it also gave Mayor Walker his opportunity to stand up before the world and vote for another in preference to Governor Roosevelt, who must sit in judgment upon his right to continue at the head of the New York City Government. Ohio also demanded a poll and more time was consumed. Delegates from the District of Columbia and from Iowa caused still more trouble. The roll-call wore on to the end and no candidate had received the necessary two-thirds majority. The count stood: Roosevelt, 666 $\frac{1}{4}$; Smith, 201 $\frac{3}{4}$; Garner, 90 $\frac{1}{4}$; Ritchie, 21; Baker, 8 $\frac{1}{2}$; White, 52; Murray, 23; Traylor, 42 $\frac{1}{4}$; Byrd, 25; Reed, 24.

A second roll-call was ordered immediately. After more polls demanded by Minnesota, Pennsylvania and the District of Columbia, and arguments as to the rights and places of alternatives, the votes showed still a lack of the necessary two-thirds majority for any candidate, Roosevelt picking up 11 $\frac{1}{2}$ votes, to make his total 677 $\frac{3}{4}$, against Smith's 194 $\frac{1}{4}$, Garner's 90 $\frac{1}{4}$, Ritchie's 23 $\frac{1}{2}$, Baker's 8 and 154 $\frac{3}{4}$ distributed among other candidates, including this time Will Rogers, the actor-humorist. At this juncture the Roosevelt managers tried to adjourn the meeting. But the "Stop Roosevelt" group would have none of it. Dudley Field Malone of New York started to debate the non-debatable motion, stating that as they had been kept to that point, the New Yorkers were ready to stay until a nomination had been made. There was such a clamor against adjournment that the motion was withdrawn.

Another ballot was ordered. Lines tightened everywhere. Ohio demanded another poll. There was more dissatisfaction in the District of Columbia delegation. When shortly after 9 A. M. the vote was announced, Roosevelt had picked up only 5 votes, making his total 682 $\frac{3}{4}$, Smith 190 $\frac{1}{4}$, Garner 101 $\frac{1}{4}$, Ritchie 23 $\frac{1}{2}$, Baker 8 $\frac{1}{2}$ and

145½ scattered among the other favorite sons. With the convention in an apparent deadlock, Mr. McAdoo arose in his place in the California delegation and proposed adjournment until evening, which was agreed to.

Very few delegates slept during the day. With conferences going on right and left, delegation caucuses, reports of bargaining and rumors of switches, there was no sleeping for the harried Democrats. The most important of all those conferences were two going on at the Hotel Sherman—one which brought together the sons and daughters of Texas, the other in which Mr. McAdoo was conferring with his forty-four votes from California. These two conferences lasted until almost 9 P. M., the appointed hour of meeting. There were hasty backstairs talks between managers of the Texas contingent and Mr. McAdoo, and then long-distance telephone conversations with some one else. Exactly at the 9 o'clock deadline there came the word, "Garner has released his delegates."

When that report was verified, the convention knew that the matter of nominating the Presidential candidate was settled. The confirmation came during the fourth roll-call, when the name of California was reached. It was then that the tall, immaculate Mr. McAdoo climbed the steps to the rostrum, and there, amid continuous interruption by Smith supporters in the galleries, announced California's forty-four votes for Roosevelt. This started a bandwagon rush in which only New York, Massachusetts, Rhode Island, New Jersey and Connecticut declined to join, and gave the New York Governor 945 of the convention's 1,154 votes—well over the number required by the two-thirds rule to nominate. Mr. McAdoo swung the tide, and in so doing paid an old score to Mr. Smith that had come down from the interminable session of 1924.

The convention likewise considered

the Vice Presidential nomination as settled. Delegates concluded that it would go to Speaker Garner, to whom the California delegation had been pledged. Confirmation of that conclusion came that same night from the triumphant Roosevelt managers. The convention sanctioned the choice the next day by unanimously placing the Texas plainsman on the ticket with Governor Roosevelt.

According to the custom of scores of years, the formal nomination of Speaker Garner for the Vice Presidency would have ended the Democratic convention. But it did not. A telegram had been received from Governor Roosevelt the night before stating that he would arrive the next day to cut the red tape of tradition and be formally notified of his nomination right on the spot where it had taken place. After an air trip from Albany to Chicago and just as the sixth day of the Democratic convention was about to end, the nominee, on the arm of his son, James, strode out across the speakers' platform to the acclaim of nearly 20,000 people. He was breaking tradition and he knew it; his action that day, he declared, was but a symbol of what he intended to do with the time-worn customs of the past in the coming campaign.

"You have nominated me and I know it," he said, "and I am here to thank you for the honor." So saying he obviated the official notification ceremony which would have followed weeks hence. He received the information straight from Senator Walsh of Montana, chairman of the convention. In a speech lasting about forty-five minutes Governor Roosevelt promised to lead the way to a new day in the nation's economic life and to "restore America to its own people."

That night James A. Farley, Mr. Roosevelt's pre-convention manager, was chosen chairman of the Democratic National Convention, to pilot the Roosevelt-Garner ticket through the campaign.

Text of the Party Platforms

I—The Republican Party

INTRODUCTION—We, the representatives of the Republican party, in convention assembled, renew our pledge to the principles and traditions of our party and dedicate it anew to the service of the nation.

We meet in a period of widespread distress and of an economic depression that has swept the world. The emergency is second only to that of a great war. The human suffering occasioned may well exceed that of a period of actual conflict.

The supremely important problem that challenges our citizens and government alike is to break the back of the depression, to restore the economic life of the nation and to bring encouragement and relief to the thousands of American families that are sorely afflicted.

The people themselves, by their own courage, their own patient and resolute effort in the readjustments of their own affairs, can and will work out the cure. It is our task as a party, by leadership and a wise determination of policy, to assist that recovery.

To that task we pledge all that our party possesses in capacity, leadership, resourcefulness and ability. Republicans, collectively and individually, in nation and State, hereby enlist in a war which will not end until the promise of American life is once more fulfilled.

LEADERSHIP—For nearly three years the world has endured an economic depression of unparalleled extent and severity. The patience and courage of our people have been severely tested, but their faith in themselves, in their institutions and in their future remains unshaken. When victory comes, as it will, this generation will hand on to the next a great heritage unimpaired.

This will be due in large measure to the quality of the leadership that this country has had during this crisis. We have had in the White House a leader—wise, courageous, patient, understanding, resourceful, ever present at his post of duty, tireless in his efforts and unwaveringly faithful to American principles and ideals.

At the outset of the depression, when no man could foresee its depth and extent, the President succeeded in averting much distress by securing agreement between industry and labor to maintain wages and by stimulating programs of private and governmental construction. Throughout the depression unemployment has been limited by the systematic use of part-time employment as a substitute for the general discharge of employees. Wage scales have not been re-

duced except under compelling necessity. As a result there have been fewer strikes and less social disturbance than during any similar period of hard times.

The suffering and want occasioned by the great drought of 1930 were mitigated by the prompt mobilization of the resources of the Red Cross and of the government. During the trying Winters of 1930-31 and 1931-32 a nation-wide organization to relieve distress was brought into being under the leadership of the President. By the Spring of 1931 the possibility of a business upturn in the United States was clearly discernible, when, suddenly, a train of events was set in motion in Central Europe which moved forward with extraordinary rapidity and violence, threatening the credit structure of the world and eventually dealing a serious blow to this country.

The President foresaw the danger. He sought to avert it by proposing a suspension of intergovernmental debt payments for one year, with the purpose of relieving the pressure at the point of greatest intensity. But the credit machinery of the nations of Central Europe could not withstand the strain, and the forces of disintegration continued to gain momentum until in September Great Britain was forced to depart from the gold standard. This momentous event, followed by a tremendous raid on the dollar, resulted in a series of bank suspensions in this country and the hoarding of currency on a large scale.

Again the President acted. Under his leadership the National Credit Association came into being. It mobilized our banking resources, saved scores of banks from failure, helped restore confidence and proved of inestimable value in strengthening the credit structure.

By the time the Congress met the character of our problems was clearer than ever. In his message to Congress the President outlined a constructive and definite program which in the main has been carried out; other portions may yet be carried out.

The Railroad Credit Corporation was created. The capital of the Federal Land Banks was increased. The Reconstruction Finance Corporation came into being and brought protection to millions of depositors, policy holders and others.

Legislation was enacted enlarging the discount facilities of the Federal Reserve System, and, without reducing the legal reserves of the Federal Reserve Banks, releasing a billion dollars of gold, a formidable protection against raids on the

dollar and a greatly enlarged basis for an expansion of credit.

An earlier distribution to depositors in closed banks has been brought about through the action of the Reconstruction Finance Corporation. Above all, the national credit has been placed in an impregnable position by provision for adequate revenue and a program of drastic curtailment of expenditures. All of these measures were designed to lay a foundation for the resumption of business and increased employment.

But delay and the constant introduction and consideration of new and unsound measures have kept the country in a state of uncertainty and fear, and offset much of the good otherwise accomplished.

The President has recently supplemented his original program to provide for distress, to stimulate the revival of business and employment, and to improve the agricultural situation, he recommended extending the authority of the Reconstruction Finance Corporation to enable it:

(a) To make loans to political subdivisions of public bodies or private corporations for the purpose of starting construction of income-producing or self-liquidating projects which will at once increase employment;

(b) To make loans upon security of agricultural commodities so as to insure the carrying of normal stocks of those commodities, and thus stabilize their loan value and price levels;

(c) To make loans to the Federal Farm Board to enable extension of loans to farm cooperatives and loans for export of agricultural commodities to quarters unable otherwise to purchase them;

(d) To loan up to \$300,000,000 to such States as are unable to meet the calls made on them by their citizens for distress relief.

The President's program contemplates an attack on a broad front, with far-reaching objectives, but entailing no danger to the budget. The Democratic program, on the other hand, contemplates a heavy expenditure of public funds, a budget unbalanced on a large scale, with a doubtful attainment of at best a strictly limited objective.

We strongly endorse the President's program.

UNEMPLOYMENT AND RELIEF—True to American traditions and principles of government, the administration has regarded the relief problem as one of State and local responsibility. The work of local agencies, public and private, has been coordinated and enlarged on a nation-wide scale under the leadership of the President.

Sudden and unforeseen emergencies such as the drought have been met by the Red Cross and the government. The United States Public Health Service has been of inestimable benefit to stricken areas.

There has been magnificent response and action to relieve distress by citizens, organizations and agencies, public and private, throughout the country.

To provide against the possible failure

of local and State agencies, the President has urged the Congress to create an emergency relief fund to be loaned temporarily to any State on a showing of actual need and temporary failure of its financial resources.

The Republican party endorses this record and policy and is opposed to the Federal Government entering directly into the field of private charity and direct relief to the individual.

PUBLIC ECONOMY—Constructive plans for financial stabilization cannot be completely organized until our national, State and municipal governments not only balance their budgets but curtail their current expenses as well to a level which can be steadily and economically maintained for some years to come.

We urge prompt and drastic reduction of public expenditure and resistance to every appropriation not demonstrably necessary to the performance of the essential functions of government, national or local.

The Republican party established and will continue to uphold the gold standard and will oppose any measure which will undermine the government's credit or impair the integrity of our national currency. Relief by currency inflation is unsound in principle and dishonest in results. The dollar is impregnable in the marts of the world today and must remain so. An ailing body cannot be cured by quack remedies. This is no time to experiment upon the body politic or financial.

BANKS AND THE BANKING SYSTEM—The efficient functioning of our economic machinery depends in no small measure on the aid rendered to trade and industry by our banking system. There is need of revising the banking laws so as to place our banking structure on a sounder basis generally for all concerned, and for the better protection of the depositing public there should be more stringent supervision and broader powers vested in the supervising authorities. We advocate such a revision.

One of the serious problems affecting our banking system has arisen from the practice of organizing separate corporations, under and controlled by the same interests as banks, but participating in operations which the banks themselves are not permitted legally to undertake. We favor requiring reports of and subjecting to thorough and periodic examination all such affiliates of member banks until adequate information has been acquired on the basis of which this problem may definitely be solved in a permanent manner.

INTERNATIONAL CONFERENCE—We favor the participation by the United States in an international conference to consider matters relating to monetary questions, including the position of silver, exchange problems, and commodity prices, and possible cooperative action concerning them.

HOME LOAN DISCOUNT BANK SYSTEM—The present Republican administration has initiated legislation for the

creation of a system of Federally supervised home loan discount banks, designed to serve the home owners of all parts of the country and to encourage home ownership by making possible long-term credit for homes on more stable and more favorable terms.

There has arisen in the last few years a disturbing trend away from home ownership. We believe that everything possible should be done by governmental agencies, national, State and local, to reverse this tendency; to aid home owners by encouraging better methods of home financing; and to relieve the present inequitable tax burden on the home. In the field of national legislation we pledge that the measures creating a home loan discount system will be pressed in Congress until adopted.

AGRICULTURE — Farm distress in America has its root in the enormous expansion of agricultural production during the war, the deflation of 1919, 1920 and the dislocation of markets after the war. There followed, under Republican administrations, a long record of legislation in aid of the cooperative organization of farmers and in providing farm credit. The position of agriculture was gradually improved. In 1928 the Republican party pledged further measures in aid of agriculture, principally tariff protection for agricultural products and the creation of a Federal Farm Board "clothed with the necessary power to promote the establishment of a farm marketing system of farmer-owned and controlled stabilization corporations."

Almost the first official act of President Hoover was the calling of a special session of Congress to redeem these party pledges. They have been redeemed.

The 1930 tariff act increased the rates on agricultural products by 30 per cent, upon industrial products only 12 per cent. That act equalized, so far as legislation can do so, the protection afforded the farmer with the protection afforded industry, and prevented a vast flood of cheap wool, grain, live stock, dairy and other products from entering the American market.

By the agricultural marketing act, the Federal Farm Board was created and armed with broad powers and ample funds. The object of that act, as stated in its preamble was:

"To promote the effective merchandising of agricultural commodities in interstate and foreign commerce so that * * * agriculture will be placed on the basis of economic equality with other industries * * *. By encouraging the organization of producers into effective association for their own control * * * and by promoting the establishment of a farm marketing system of producer-owned and producer-controlled cooperative associations."

The Federal Farm Board, created by the agricultural marketing act, has been compelled to conduct its operations during a period in which all commodity prices, industrial as well as agricultural, have fallen to disastrous levels. A period of decreasing demand and of national

calamities such as drought and flood has intensified the problem of agriculture.

Nevertheless, after only a little more than two years' efforts, the Federal Farm Board has many achievements of merit to its credit. It has increased the membership of the cooperative farm marketing associations to coordinate efforts of the local associations. By cooperation with other Federal agencies, it has made available to farm marketing associations a large value of credit, which, in the emergency, would not have otherwise been available. Larger quantities of farm products have been handled cooperatively than ever before in the history of the cooperative movement. Grain crops have been sold by the farmer through his association directly upon the world market.

Due to the 1930 tariff act and the agricultural marketing act, it can truthfully be stated that the prices received by the American farmer for his wheat, corn, rye, barley, oats, flaxseed, cattle, butter and many other products, cruelly low though they are, are higher than the prices received by the farmers of any competing nation for the same products.

The Republican party has also aided the American farmer by relief of the sufferers in the drought-stricken areas, through loans for rehabilitation and through road building to provide employment, by the development of the inland waterway system, by the perishable product act, by the strengthening of the extension system, and by the appropriation of \$125,000,000 to recapitalize the Federal land banks and enable them to extend time to worthy borrowers.

The Republican party pledges itself to the principle of assistance to cooperative marketing associations, owned and controlled by the farmers themselves, through the provisions of the agricultural marketing act, which will be promptly amended or modified as experience shows to be necessary to accomplish the objects set forth in the preamble of that act.

TARIFF AND THE MARKETING ACT—The party pledges itself to make such revision of tariff schedules as economic changes require to maintain the parity of protection to agriculture with other industry.

The American farmer is entitled not only to tariff schedules on his products but to protection from substitutes therefor.

We will support any plan which will help to balance production against demand, and thereby raise agricultural prices, provided it is economically sound and administratively workable without burdensome bureaucracy.

The burden of taxation borne by the owners of farm land constitutes one of the major problems of agriculture.

President Hoover has aptly and truly said, "Taxes upon real property are easiest to enforce and are the least flexible of all taxes. The tendency under pressure of need is to continue these taxes unchanged in times of depression, despite the decrease in the owner's in-

come. Decreasing price and decreasing income result in an increasing burden upon property owners * * * which is now becoming almost unbearable. The tax burden upon real estate is wholly out of proportion to that upon other forms of property and income. There is no farm relief more needed today than tax relief."

The time has come for a reconsideration of our tax systems, Federal, State and local, with a view to developing a better coordination, reducing duplication and relieving unjust burdens. The Republican party pledges itself to this end.

More than all else, we point to the fact that, in the administration of executive departments, and in every plan of the President for the coordination of national effort and for strengthening our financial structure, for expanding credit, for rebuilding the rural credit system and laying the foundations for better prices, the President has insisted upon the interest of the American farmer.

The fundamental problem of American agriculture is the control of production to such volume as will balance supply with demand. In the solution of this problem the cooperative organization of farmers to plan production and the tariff, to hold the home market for American farmers, are vital elements. A third element equally as vital is the control of the acreage of land under cultivation, as an aid to the efforts of the farmer to balance production.

We favor a national policy of land utilization which looks to national needs, such as the administration has already begun to formulate. Such a policy must foster reorganization of taxing units in areas beset by tax delinquency and divert lands that are submarginal for crop production to other uses. The national welfare plainly can be served by the acquisition of submarginal lands for watershed protection, grazing, forestry, public parks and game reserves. We favor such acquisition.

THE TARIFF—The Republican party has always been the staunch supporter of the American system of a protective tariff. It believes that the home market built up under that policy, the greatest and richest market in the world, belongs first to American agriculture, industry and labor. No pretext can justify the surrender of that market to such competition as would destroy our farms, mines and factories and lower the standard of living which we have established for our workers.

Because many foreign countries have recently abandoned the gold standard, as a result of which the costs of many commodities produced in such countries have, at least for the time being, fallen materially in terms of American currency, adequate tariff protection is today particularly essential to the welfare of the American people.

The Tariff Commission should promptly investigate individual commodities so affected by currency depreciation and report to the President any increase in du-

ties found necessary to equalize domestic with foreign costs of production.

To fix the duties on some thousands of commodities, subject to highly complex conditions, is necessarily a difficult technical task. It is unavoidable that some of the rates established by legislation should, even at the time of their enactment, be too low or too high. Moreover, a subsequent change in costs or other conditions may render obsolete a rate that was before appropriate. The Republican party has, therefore, long supported the policy of a flexible tariff, giving power to the President, after investigation by an impartial commission and in accordance with prescribed principles, to modify the rates named by the Congress.

We commend the President's veto of the measure, sponsored by Democratic Congressmen, which would have transferred from the President to the Congress the authority to put into effect the findings of the Tariff Commission. Approval of the measure would have returned tariff making to politics and destroyed the progress made during ten years of effort to lift it out of log-rolling methods. We pledge the Republican party to a policy which will retain the gains made and enlarge the present scope of greater progress.

We favor the extension of the general Republican principle of tariff protection to our natural resource industries, including the products of our farms, forests, mines and oil wells, with compensatory duties on the manufactured and refined products thereof.

VETERANS—Our country is honored whenever it bestows relief on those who have faithfully served its flag. The Republican party, appreciative of this solemn obligation and honor, has made its sentiments evident in Congress.

Increased hospital facilities have been provided, payments in compensation have more than doubled and in the matter of rehabilitations, pensions and insurance, generous provision has been made.

The administration of laws dealing with the relief of the veterans and their dependents has been a difficult task, but every effort has been made to carry service to the veterans and bring about not only a better and generous interpretation of the law but a sympathetic consideration of the many problems of the veteran.

We believe that every veteran incapacitated in any degree by reason of illness or injury attributable to service in defense of his country should be cared for and compensated, so far as compensation is possible, by a grateful nation, and that the dependents of those who lost their lives in war or whose death since the war in which service was rendered is traceable to service causes, should be provided for adequately. Legislation should be in accord with this principle.

Disability from causes subsequent and not attributable to war and the support of dependents of deceased veterans whose death is unconnected with war have been to some measure accepted obligations of the nation as a part of the debt due.

A careful study should be made of existing veterans' legislation with a view to elimination of inequalities and injustices and effecting all possible economies, but without departing from our purpose to provide on a sound basis full and adequate relief for our service disabled men, their widows and orphans.

FOREIGN AFFAIRS—Our relations with foreign nations have been carried on by President Hoover with consistency and firmness, but with mutual understanding and peace with all nations. The world has been overwhelmed with economic strain which has provoked extreme nationalism in every quarter, has overturned many governments, stirred the springs of suspicion and distrust and tried the spirit of international cooperation, but we have held to our own course steadily and successfully.

The party will continue to maintain its attitude of protecting our national interests and policies wherever threatened, but at the same time promoting common understanding of the varying needs and aspirations of other nations and going forward in harmony with other peoples without alliances or foreign partnerships.

The facilitation of world intercourse, the freeing of commerce from unnecessary impediments, the settlement of international difficulties by conciliation and the methods of law and the elimination of war as a resort of national policy have been and will be our party program.

FRIENDSHIP AND COMMERCE—We believe in and look forward to the steady enlargement of the principles of equality of treatment between nations great and small, the concession of sovereignty and self-administration to every nation which is capable of carrying on stable government and conducting sound orderly relationships with other peoples, and the cultivation of trade and intercourse on the basis of uniformity of opportunity of all nations.

In pursuance of these principles, which have steadily gained favor in the world, the administration has asked no special favors in commerce, has protested discriminations whenever they arose, and has steadily cemented this procedure by reciprocal treaties guaranteeing equality for trade and residence.

The historic American plan known as the most-favored-nation principle has been our guiding program, and we believe that policy to be the only one consistent with a full development of international trade, the only one suitable for a country having as wide and diverse a commerce as America, and the one most appropriate for us in view of the great variety of our industrial, agricultural and mineral products and the traditions of our people.

Any other plan involves bargains and partnerships with foreign nations, and as a permanent policy is unsuited to America's position.

CONDITIONS ON THE PACIFIC—Events in the Far East, involving the employment of arms on a large scale in a controversy between Japan and China,

have caused world-wide concern in the past year and sorely tried the bulwarks erected to insure peace and pacific means for the settlement of international disputes.

The controversy has not only threatened the security of the nations bordering the Pacific but has challenged the maintenance of the policy of the open door in China and the administrative and political integrity of that people, programs which upon American initiation were adopted more than a generation ago and secured by international treaty.

The President and his Secretary of State have maintained throughout the controversy a just balance between Japan and China, taking always a firm position to avoid entanglement in the dispute, but consistently upholding the established international policies and the treaty rights and interests of the United States, and never condoning developments that endangered the obligation of treaties or the peace of the world.

Throughout the controversy our government has acted in harmony with the governments represented in the League of Nations, always making it clear that American policy would be determined at home, but always lending a hand in the common interest of peace and order.

In the application of the principles of the Kellogg pact the American Government has taken the lead, following the principle that a breach of the pact or a threat of infringement thereof was a matter of international concern wherever and however brought about.

As a further step the Secretary of State, upon the instruction of the President, adopted the principle later enlarged upon in his letter to the chairman of the Committee on Foreign Relations of the Senate that this government would not recognize any situation, treaty or agreement brought about between Japan and China by force and in defiance of the covenants of the Kellogg pact.

This principle, associated as it is with the name of President Hoover, was later adopted by the Assembly of the League of Nations at Geneva as a rule for the conduct of all those governments. The principle remains today as an important contribution to international law and a significant moral and material barrier to prevent a nation obtaining the fruits of aggressive warfare. It thus opens a new pathway to peace and order.

We favor enactment by Congress of a measure that will authorize our government to call or participate in an international conference in case of any threat of non-fulfillment of Article 2 of the Treaty of Paris (Kellogg-Briand pact).

LATIN AMERICA—The policy of the administration has proved to our neighbors of Latin America that we have no imperialistic ambitions, but that we wish only to promote the welfare and common interest of the independent nations in the Western Hemisphere.

We have aided Nicaragua in the solution of its troubles and our marines are remaining in that country, in greatly re-

duced numbers, at the request of the Nicaraguan Government only to supervise the coming election. After that they will all be returned to the United States.

In Haiti, in accord with the recommendations of the Forbes commission, appointed by the President, the various services of supervision are being rapidly withdrawn, and only those will be retained which are mandatory under the treaties.

Throughout Latin America the policy of the government of the United States has been and will, under Republican leadership, continue to be one of frank and friendly understanding.

WORLD COURT—The acceptance by America of membership in the World Court has been approved by three successive Republican Presidents and we commend this attitude of supporting in this form the settlement of international disputes by the rule of law. America should join its influence and gain a voice in this institution, which would offer us a safer, more judicial and expeditious instrument for the constantly recurring questions between us and other nations than is now available by arbitration.

REDUCTION OF ARMAMENT—Conscious that the limitation of armament will contribute to security against war, and that the financial burdens of military preparation have been shamefully increased throughout the world, the administration under President Hoover has made steady efforts and marked progress in the direction of proportional reduction of arms by agreement with other nations.

Upon his initiative a treaty between the chief naval powers at London in 1930, following the path marked by the Washington Conference of 1922, established a limitation of all types of fighting ships on a proportionate basis as between the three great naval powers. For the first time, a general limitation of a most costly branch of armament was successfully accomplished.

In the Geneva disarmament conference, now in progress, America is an active participant and a representative delegation of our citizens is laboring for progress in a cause to which this country has been an earnest contributor. This policy will be pursued.

Meanwhile maintenance of our navy on the basis of parity with any nation is a fundamental policy to which the Republican party is committed. While in the interest of necessary government retrenchment, humanity and relief of the taxpayer we shall continue to exert our full influence upon the nations of the world in the cause of reduction of arms, we do not propose to reduce our navy defenses below that of any other nation.

NATIONAL DEFENSE—Armaments are relative and, therefore, flexible and subject to change as necessity demands. We believe that in time of war every material resource in the nation should bear its proportionate share of the burdens occasioned by the public need

and that it is a duty of government to perfect plans in time of peace whereby this objective may be attained in war.

We support the essential principles of the national defense act as amended in 1920 and by the Air Corps act of 1926, and believe that the army of the United States has, through successive reductions accomplished in the last twelve years, reached an irreducible minimum consistent with the self-reliance, self-respect and security of this country.

WAGES AND WORK—We believe in the principle of high wages.

We favor the principle of the shorter working week and shorter work day, with its application to government as well as to private employment as rapidly and as constructively as conditions will warrant.

We favor legislation designed to stimulate, encourage and assist in home building.

IMMIGRATION—The restriction of immigration is a Republican policy. Our party formulated and enacted into law the quota system, which for the first time has made possible an adequate control of foreign immigration.

Rigid examination of applicants in foreign countries prevented the coming of criminals and other undesirable classes, while other provisions of the law have enabled the President to suspend immigration of foreign wage-earners who otherwise, directly or indirectly, would have increased unemployment among native-born and legally resident foreign-born wage-earners in this country. As a result, immigration is now less than at any time during the past one hundred years.

We favor the continuance and strict enforcement of our present laws upon this subject.

DEPARTMENT OF LABOR—We commend the constructive work of the United States Department of Labor.

LABOR—Collective bargaining by responsible representatives of employers and employees of their own choice, without the interference of any one, is recognized and approved.

Legislation such as laws prohibiting alien contract labor, peonage labor and the shanghaiing of sailors; the eight-hour labor law on government contracts and in government employment; provision for railroad safety devices, of methods of conciliation, mediation and arbitration in industrial labor disputes, including the adjustment of railroad disputes; the providing of compensation for injury to government employees (the forerunner of Federal workers' compensation acts), and other laws to aid and protect labor are of Republican origin, and have had and will continue to have the unswerving support of the party.

EMPLOYMENT—We commend the constructive work of the United States Employment Service in the Department of Labor. This service was enlarged and its activities extended through an appropriation made possible by the President with the cooperation of the Congress. It

has done high service for the unemployed in the ranks of civil life and in the ranks of the former soldiers of the World War.

FREEDOM OF SPEECH—Freedom of speech, press and assemblage are fundamental principles upon which our form of government rests. These vital principles should be preserved and protected.

PUBLIC UTILITIES—Supervision, regulation and control of interstate public utilities in the interest of the public is an established policy of the Republican party, to the credit of which stands the creation of the Interstate Commerce Commission, with its authority to assure reasonable transportation rates, sound railway finance and adequate service.

As proof of the progress made by the Republican party in government control of public utilities, we cite the reorganization under this administration of the Federal Power Commission, with authority to administer the Federal water power act. We urge legislation to authorize this commission to regulate the charges for electric current when transmitted across State lines.

TRANSPORTATION—The promotion of agriculture, commerce and industry requires coordination of transportation by rail, highway, air and water. All should be subjected to appropriate and constructive regulation.

The public will, of course, select the form of transportation best fitted to its particular service, but the terms of competition fixed by public authority should operate without discrimination, so that all common carriers by rail, highway, air and water shall operate under conditions of equality.

The railroads constitute the backbone of our transportation system and perform an essential service for the country. The railroad industry is our largest employer of labor and the greatest consumer of goods. The restoration of their credit and the maintenance of their ability to render adequate service are of paramount importance to the public, to their many thousands of employees and to savings banks, insurance companies and other similar institutions, to which the savings of the people have been entrusted.

We should continue to encourage the further development of the merchant marine under American registry and ownership.

Under the present administration the American merchant fleet has been enlarged and strengthened until it now occupies second place among the merchant marines of the world.

By the gradual retirement of the government from the field of ship operations and marked economies in costs, the United States Shipping Board will require no appropriation for the fiscal year 1933 for ship operations.

ST. LAWRENCE SEAWAY—The Republican party stands committed to the development of the Great Lakes-St. Lawrence seaway. Under the direction of President Hoover negotiation of a treaty with Canada for this development is now at a favorable point. Recognizing the in-

estimable benefits which will accrue to the nation from placing the ports of the Great Lakes on an ocean base, the party reaffirms allegiance to this great project and pledges its best efforts to secure its early completion.

HIGHWAYS—The Federal policy to cooperate with the States in the building of roads was thoroughly established when the Federal highway act of 1921 was adopted under a Republican Congress. Each year since that time appropriations have been made which have greatly increased the economic value of highway transportation and helped to raise the standards and opportunities of rural life.

We pledge our support to the continuation of this policy in accordance with our needs and resources.

CRIME—We favor the enactment of rigid penal laws that will aid the States in stamping out the activities of gangsters, racketeers and kidnappers. We commend the intensive and effective drive made upon these public enemies by President Hoover and pledge our party to further efforts to the same purpose.

NARCOTICS—The Republican party pledges itself to continue the present relentless warfare against the illicit narcotic traffic and the spread of the curse of drug addiction among our people. This administration has by treaty greatly strengthened our power to deal with this traffic.

CIVIL SERVICE—The merit system has been amply justified since the organization of the Civil Service by the Republican party. As a part of our governmental system it is now unassailable. We believe it should remain so.

THE EIGHTEENTH AMENDMENT—The Republican party has always stood and stands today for obedience to and enforcement of the law as the very foundation of orderly government and civilization. There can be no national security otherwise. The duty of the President of the United States and the officers of the law is clear. The law must be enforced as they find it enacted by the people. To these courses of action we pledge our nominees.

The Republican party is and always has been the party of the Constitution. Nullification by non-observance by individuals or State action threatens the stability of government.

While the Constitution makers sought a high degree of permanence, they foresaw the need of changes and provided for them. Article V limits the proposals of amendments to two methods: (1) Two-thirds of both houses of Congress may propose amendments or (2) on application of the Legislatures of two-thirds of the States a national convention shall be called by Congress to propose amendments. Thereafter ratification must be had in one of two ways: (1) By the Legislatures of three-fourths of the several States or (2) by conventions held in three-fourths of the several States. Congress is given power to determine the mode of ratification.

Referendums without constitutional sanction cannot furnish a decisive answer. Those who propose them innocently are deluded by false hopes; those who propose them knowingly are deceiving the people.

A nation-wide controversy over the Eighteenth Amendment now distracts attention from the constructive solution of many pressing national problems. The principle of national prohibition as embodied in the amendment was supported and opposed by members of both great political parties. It was submitted to the States by members of Congress of different political faith and ratified by State Legislatures of different political majorities. It was not then and is not now a partisan political question.

Members of the Republican party hold different opinions with respect to it and no public official or member of the party should be pledged or forced to choose between his party affiliations and his honest convictions upon this question.

We do not favor a submission limited to the issue of retention or repeal, for the American nation never in its history has gone backward, and in this case the progress which has been thus far made must be preserved, while the evils must be eliminated.

We therefore believe that the people should have an opportunity to pass upon a proposed amendment the provision of which, while retaining in the Federal Government power to preserve the gains already made in dealing with the evils inherent in the liquor traffic, shall allow States to deal with the problem as their citizens may determine, but subject always to the power of the Federal Government to protect those States where prohibition may exist and safeguard our citizens everywhere from the return of the saloon and attendant abuses.

Such an amendment should be promptly submitted to the States by Congress, to be acted upon by State conventions called for that sole purpose in accordance with the provisions of Article V of the Constitution and adequately safeguarded so as to be truly representative.

CONSERVATION—The wise use of all natural resources freed from monopolistic control is a Republican policy, initiated by Theodore Roosevelt. The Roosevelt, Coolidge and Hoover reclamation projects bear witness to the continuation of that policy. Forestry and all other conservation activities have been supported and enlarged.

The conservation of oil is a major problem to the industry and the nation. The administration has sought to bring coordination of effort through the States, the producers and the Federal Government. Progress has been made and the effort will continue.

THE NEGRO—For seventy years the Republican party has been the friend of the American Negro. Vindication of the right of the Negro citizen to enjoy the full benefits of life, liberty and the pursuit of happiness is traditional in the Re-

publican party, and our party stands pledged to maintain equal opportunity and rights for Negro citizens. We do not propose to depart from that tradition nor to alter the spirit or letter of that pledge.

HAWAII—We believe that the existing status of self-government which for many years has been enjoyed by the citizens of the Territory of Hawaii should be maintained, and that officials appointed to administer the government should be bona fide residents of the Territory.

PUERTO RICO—Puerto Rico being a part of the United States and its inhabitants American citizens, we believe that they are entitled to a good-faith recognition of the spirit and purposes of their organic act. We, therefore, favor the inclusion of the island in all legislative and administrative measures enacted or adopted by Congress or otherwise for the economic benefit of their fellow-citizens of the mainland.

We also believe that, in so far as possible, all officials appointed to administer the affairs of the island government should be qualified by at least five years of bona fide residence therein.

ALASKA—We favor the policy of giving to the people of Alaska the widest possible territorial self-government and the selection so far as possible of bona fide residents for positions in that Territory and the placing of its citizens on an equality with those in the several States.

WELFARE WORK AND CHILDREN—The children of our nation, our future citizens, have had the most solicitous thought of our President. Child welfare and protection has been a major effort of this administration. The organization of the White House Conference on Child Health and Protection is regarded as one of the outstanding accomplishments of this administration.

Welfare work in all its phases has the support of the President and the aid of the administration. The work of organized agencies—local, State and Federal—has been advanced and an increased impetus given by that recognition and help. We approve and pledge a continuation of that policy.

INDIANS—We favor the fullest protection of the property rights of the American Indians and the provision for them of adequate educational facilities.

REORGANIZATION OF GOVERNMENT BUREAUS—Efficiency and economy demand reorganization of government bureaus. The problem is non-partisan and must be so treated if it is to be solved. As a result of years of study and personal contact with conflicting activities and wasteful duplication of effort, the President is particularly fitted to direct measures to correct the situation. We favor legislation by Congress which will give him the required authority.

DEMOCRATIC FAILURE—The vagaries of the present Democratic House of Representatives offer characteristic and appalling proof of the existing incapacity of that party for leadership in a national

crisis. Individualism running amuck has displaced party discipline and has trampled under foot party leadership. A bewildered electorate has viewed the spectacle with profound dismay and deep misgivings.

Goaded to desperation by their confessed failure, the party leaders have resorted to "pork barrel" legislation to obtain a unity of action which could not otherwise be achieved. A Republican President stands resolutely between the helpless citizen and the disaster threatened by such measures; and the people, regardless of party, will demand his continued service.

Many times during his useful life has Herbert Hoover responded to such a call, and his response has never disappointed. He will not disappoint us now.

PARTY GOVERNMENT — The delays and differences which recently hampered efforts to obtain legislation imperatively demanded by prevailing critical conditions strikingly illustrate the menace to self-government brought about by the weakening of party ties and party fealty.

Experience has demonstrated that coherent political parties are indispensable agencies for the prompt and effective operation of the functions of our government under the Constitution.

Only by united party action can consistent, well-planned and wholesome legislative programs be enacted. We believe that the majority of the Congressmen elected in the name of a party have the right and duty to determine the general policies of that party requiring Congressional action, and that Congressmen belonging to that party are, in general, bound to adhere to such policies. Any other course inevitably makes of Congress a body of detached delegates which, instead of representing the collective wisdom of our people, become the confused voices of a heterogeneous group of unrelated local prejudices.

We believe that the time has come when Senators and Representatives of the United States should be impressed with the inflexible truth that their first concern should be the welfare of the United States and the well-being of all of its people, and that stubborn pride of individual opinion is not a virtue, but an obstacle to the orderly and successful achievement of the objects of representative government.

Only by cooperation can self-government succeed. Without it election under a party aegis becomes a false pretense.

We earnestly request that Republicans throughout the Union demand that their representatives in the Congress pledge themselves to these principles, to the end that the insidious influences of party disintegration may not undermine the very foundations of the Republic.

CONCLUSION — In contrast with the Republican policies and record, we contrast those of the Democrats as evidenced by the action of the House of Represen-

tatives under Democratic leadership and control, which includes:

1. The issuance of fiat currency.
2. Instructions to the Federal Reserve Board and the Secretary of the Treasury to attempt to manipulate commodity prices.
3. The guarantee of bank deposits.
4. The squandering of the public resources and the unbalancing of the budget through pork-barrel appropriations which bear little relation to distress and would tend through delayed business revival to decrease rather than increase employment.

Generally on economic matters we pledge the Republican party:

1. To maintain unimpaired the national credit.
2. To defend and preserve a sound currency and an honest dollar.
3. To stand steadfastly by the principle of a balanced budget.
4. To devote ourselves fearlessly and unremittingly to the task of eliminating abuses and extravagance and of drastically cutting the cost of government so as to reduce the heavy burden of taxation.
5. To use all available means consistent with sound financial and economic principles to promote an expansion of credit, to stimulate business and relieve unemployment.
6. To make a thorough study of the conditions which permitted the credit and the credit machinery of the country to be made available, without adequate check, for wholesale speculation in securities, resulting in ruinous consequences to millions of our citizens and to the national economy, and to correct those conditions so that they shall not recur.

Recognizing that real relief to unemployment must come through a revival of industrial activity and agriculture, to the promotion of which our every effort must be directed, our party in State and nation undertakes to do all in its power that is humanly possible to see that distress is fully relieved in accordance with American principles and traditions.

No successful solution of the problems before the country today can be expected from a Congress and a President separated by partisan lines or opposed in purposes and principles. Responsibility cannot be placed unless a clear mandate is given by returning to Washington a Congress and a Chief Executive united in principles and program.

The return to power of the Republican party with that mandate is the duty of every voter who believes in the doctrines of the party and its program as herein stated. Nothing less, we believe, will insure the orderly recovery of the country and that return to prosperous days which every American so ardently desires.

The Republican party faces the future unafraid!

With courage and confidence in ultimate success, we will strive against the forces that strike at our social and economic ideals, our political institutions.

II—The Democratic Party

IN this time of unprecedented economic and social distress, the Democratic party declares its conviction that the chief causes of this condition were the disastrous policies pursued by our government since the World War, of economic isolation fostering the merger of competitive businesses into monopolies and encouraging the indefensible expansion and contraction of credit for private profit at the expense of the public.

Those who were responsible for these policies have abandoned the ideals on which the war was won, and thrown away the fruits of victory, thus rejecting the greatest opportunity in history to bring peace, prosperity and happiness to our people and to the world. They have ruined our foreign trade, destroyed the values of our commodities and products, crippled our banking system, robbed millions of our people of their life savings and thrown millions more out of work, produced widespread poverty and brought the government to a state of financial distress unprecedented in times of peace.

The only hope for improving present conditions, restoring employment, affording permanent relief to the people and bringing the nation back to its former proud position of domestic happiness and of financial, industrial, agricultural and commercial leadership in the world lies in a drastic change in economic and governmental policies.

Believing that a party platform is a covenant with the people to be faithfully kept by the party when entrusted with power and that the people are entitled to know in plain words the terms of the contract to which they are asked to subscribe, we hereby declare this to be the platform of the Democratic party.

The Democratic party solemnly promises by appropriate action to put into effect the principles, policies and reforms herein advocated and to eradicate the policies, methods and practices herein condemned.

WE ADVOCATE:

1. An immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government; and we call upon the Democratic party in the States to make a zealous effort to achieve a proportionate result.

2. Maintenance of the national credit by a Federal budget annually balanced on the basis of accurate executive estimates within revenues, raised by a system of taxation levied on the principle of ability to pay.

3. A sound currency to be preserved at all hazards, and an international monetary conference called on the invitation of our government to consider the rehabilitation of silver and related questions.

4. A competitive tariff for revenue, with a fact-finding tariff commission free from executive interference, reciprocal tariff agreements with other nations, and an international economic conference designed to restore international trade and facilitate exchange.

5. Extension of Federal credit to the States to provide unemployment relief wherever the diminishing resources of the States make it impossible for them to provide for the needy; expansion of the Federal program of necessary and useful construction affected with a public interest, such as flood control and waterways, including the St. Lawrence, Great Lakes deep waterways; the spread of employment by a substantial reduction in the hours of labor, the encouragement of the shorter week by applying that principle in government service; advance planning of public works.

6. Unemployment and old-age insurance, under State laws.

7. For the restoration of agriculture, the nation's basic industry, better financing of farm mortgages through reorganized farm bank agencies at low rates of interest, on an amortization plan, giving preference to credits for the redemption of farms and homes sold under foreclosure; extension and development of the farm cooperative movement and effective control of crop surpluses so that our farmers may have the full benefit of the domestic market.

Enactment of every constitutional measure that will aid the farmer to receive for basic farm commodities prices in excess of cost of production.

8. A navy and an army adequate for national defense, based on a survey of all facts affecting the existing establishments, that the people in time of peace may not be burdened by an expenditure fast approaching \$1,000,000,000 annually.

9. Strict and impartial enforcement of the anti-trust laws to prevent monopoly and unfair trade practices, and revision thereof for the better protection of labor and the small producer and distributor; conservation, development and use of the nation's water power in the public interest.

10. Protection of the investing public by requiring to be filed with the government and carried in advertisements of all offerings of foreign and domestic stocks and bonds, true information as to bonuses, commissions, principal invested and interests of sellers. Regulation to the full extent of Federal power of:

(a) Holding companies which sell securities in interstate commerce;

(b) Rates of utility companies operating across State lines;

(c) Exchanges trading in securities and commodities.

11. Quicker methods of realizing on assets for the relief of depositors of sus-

pended banks, and a more rigid supervision of national banks for the protection of depositors and the prevention of the use of their moneys in speculation to the detriment of local credits.

The severance of affiliated securities companies and the divorce of underwriting schemes from commercial banks; and further restriction of Federal Reserve banks in permitting the use of Federal Reserve facilities for speculative purposes.

12. The fullest measure of justice and generosity for all war veterans who have suffered disability or disease caused by or resulting from actual service in time of war, and for their dependents.

13. A firm foreign policy including: Peace with all the world and the settlement of international disputes by arbitration; no interference in the internal affairs of other nations; the sanctity of treaties, and the maintenance of good faith and of good will in financial obligations; adherence to the World Court with the pending reservations; the Pact of Paris, abolishing war as an instrument of national policy, to be made effective by provisions for consultation and conference in case of threatened violation of treaties; international agreement for reduction of armaments, and cooperation with nations of the Western Hemisphere to maintain the spirit of the Monroe Doctrine. We oppose cancellation of the debts owing to the United States by foreign nations.

14. Independence for the Philippines; ultimate Statehood for Puerto Rico; the employment of American citizens in the operation of the Panama Canal.

15. Simplification of legal procedure and reorganization of the judicial system to make the attainment of justice speedy, certain and at less cost.

16. Continuous publicity of political contributions and expenditures, strengthening of the corrupt practices act and severe penalties for misappropriation of campaign funds.

17. We favor the repeal of the Eighteenth Amendment.

To effect such repeal, we demand that the Congress immediately propose a constitutional amendment to truly representative conventions in the States called to act solely on that proposal.

We urge the enactment of such measures by the several States as will actually promote temperance, effectively prevent the return of the saloon and bring the liquor traffic into the open under complete supervision and control by the States.

We demand that the Federal Government effectively exercise its power to enable the States to protect themselves against importation of intoxicating liquors in violation of their laws.

Pending repeal, we favor immediate modification of the Volstead act to legalize the manufacture and sale of beer and other beverages of such alcoholic content as is permissible under the Constitution and to provide therefrom a proper and needed revenue.

WE CONDEMN:

1. The improper and excessive use of money in political activities.

2. Paid lobbies of special interests to influence members of Congress and other public servants by personal contact.

3. Action and utterances of high public officials designed to influence stock exchange prices.

4. The open and covert resistance of administrative officials to every effort made by Congressional committees to curtail the extravagant expenditures of the government, and to revoke improvident subsidies granted to favored interests.

5. The extravagance of the Farm Board, its disastrous action which made the government a speculator in farm products, and the unsound policy of restricting agricultural production to the demands of domestic markets.

6. The usurpation of power by the State Department in assuming to pass upon foreign securities offered by international bankers, as a result of which billions of dollars in questionable bonds have been sold to the public upon the implied approval of the Federal Government.


7. The Hawley-Smoot tariff law, the prohibitive rates of which have resulted in retaliatory action by more than forty countries, created international economic hostilities, destroyed international trade, driven our factories into foreign countries, robbed the American farmer of his foreign markets and increased his cost of production.

CONCLUSION:

To accomplish these purposes and to recover economic liberty we pledge the nominees of this convention, and the best effort of a great party whose founder announced the doctrine which guides us now, in the hour of our country's need, "equal rights to all, special privileges to none."

ADDED BY AMENDMENT:

We advocate the continuous responsibility of government for human welfare, especially for the protection of children.



This Book LOANED to You

NEW PSYCHOLOGY

SECRETS OF THE ANCIENT ROSICRUCIANS

Whatever may be your dreams for the future or your obstacles at present, the Rosicrucian teachings will give you MASTERSHIP OVER YOURSELF and your conditions. In every land thousands have proved this.

DEVELOP YOUR LATENT ABILITIES

If you are a sincere seeker for a better life and willing to STUDY and evolve daily, you may have a free copy of this private book. It explains how you may receive the secret Rosicrucian teachings in the privacy of your own home. Write a letter (not a postcard) to: Scribe I. P. T.

ROSICRUCIAN BROTHERHOOD

AMORC

SAN JOSE, CALIFORNIA

The Initial letters A.M.O.R.C. indicate the Original Rosicrucian Teachings.

SHORT STORY WRITING



One pupil won a \$2000 prize. Another pupil earned over \$5000 in spare time. Hundreds are selling constantly to leading publishers.

Particulars of Dr. Esenwein's famous forty-lesson course in writing and marketing of the Short-Story and sample copy of THE WRITER'S MONTHLY free. Write today.

The Home Correspondence School
Dept. 43 Springfield, Mass.

FREE—BOOK ON MIND TRAINING

An instructive book which explains an amazing system of mind training already used by more than 750,000 people. Let us send you a free copy of "Scientific Mind-Training." It will show you how and why Pelmanism is the *only* system of teaching for developing *all* the mental powers at the same time. Endorsed by such world leaders as Frank P. Walsh, Edgar Wallace, Sir Harry Lauder, Prince Charles of Sweden and hundreds of others. Write TODAY to

THE PELMAN INSTITUTE OF AMERICA
271 North Avenue Dept. 708 New Rochelle, N. Y.

Introductory Subscription Offer

Mid-Week Pictorial

13 issues for \$1

Each issue contains more than one hundred photographs of news and sports events, prominent persons in the news of the day, scientists and explorers, pictures of stage and screen stars, the latest Paris and New York fashions, and many other items of general interest.

THE NEW YORK TIMES COMPANY

Times Square, N. Y.

Spare Time Training that helps you Beat the Depression!

DO YOU want to beat the depression—take advantage of it—use it to make your job safer now and success easier in the future? You can do it.

Depression weeds out the unfit—but opens unusual opportunity for the trained man. Business is harder—demands more—looks more carefully for ability. The trained man is surer of his job *now* and he is ready for the many opportunities sure to come with returning good times.

If you wish this advantage, simply mark on the coupon the field of business in which you are most interested. We will send you full information about the opportunities in that field, tell you how our complete success-building program helps you plan your future, trains you in your spare time, and works with you all through your career. Send the coupon NOW.

--- Find Yourself Through LaSalle ---

LaSalle Extension University Dept. 8392-R Chicago

Please send me full information regarding the success-building training and service I have marked with an X below. Also a copy of "Ten Years' Promotion in One"—all without obligation to me.

- ☐ **Business Management:** Training for Official, Managerial, Sales and Departmental Executive positions.
- ☐ **Modern Salesmanship:** Training for position as Sales Executive, Salesman, Sales Trainer, Sales Promotion Manager, Manufacturer's Agent, and all positions in retail, wholesale or specialty selling.
- ☐ **Higher Accountancy:** Training for position as Auditor, Comptroller, Certified Public Accountant, Cost Accountant, etc.
- ☐ **Traffic Management:** Training for position as Railroad or Industrial Traffic Manager, Rate Expert, Freight Solicitor, etc.
- ☐ **Law:** LL. B. Degree.
- ☐ **Banking and Finance:** Training for executive positions in Banks and Financial Institutions.
- ☐ **Modern Foremanship:** Training for positions in Shop Management, such as that of Superintendent, General Foreman, Foreman, Sub-Foreman, etc.
- ☐ **Industrial Management:** Training for Works Management, Production Control, Industrial Engineering, etc.
- ☐ **Personnel Management:** Training for Personnel Manager, Industrial Relations Manager, Employment Manager, and positions in Employee Service.
- ☐ **Modern Business Correspondence:** Training for Sales or Collection Correspondent, Sales Promotion Manager, Mail Sales Manager, Secretary, etc.
- ☐ **Stenography:** Training in the new superior machine shorthand, Stenotypy.
- ☐ **Railway Station Management**
- ☐ **Railway Accounting**
- ☐ **Expert Bookkeeping**
- ☐ **Business English**
- ☐ **Commercial Law**
- ☐ **Credit and Collection Correspondence**
- ☐ **Paper Salesman's Training**
- ☐ **Public Speaking**
- ☐ **C. P. A. Coaching**
- ☐ **Commercial Spanish**
- ☐ **Office Management**
- ☐ **Food Store Management**



Name..... Age.....

Present Position.....

Address.....

BOOKS OF THE MONTH

The Dictionary of American Biography

By E. FRANCIS BROWN

DICTIONARY OF AMERICAN BIOGRAPHY. Vol. IX. Hibben-Jarvis. New York: Charles Scribner's Sons, 1932. \$12.50.

NO better means of appreciating the complexity of the human forces that have combined to build American civilization, both political and cultural, is to be found than by reading, however cursorily, the successive volumes of the *Dictionary of American Biography*. Here is a panorama of the lives of the men and women who, in one way or another, have contributed to the making of the United States. Some of those who have been admitted to a place in the *Dictionary* were truly great; others were only rascals; while still others, without attaining the highest distinction, nevertheless played a part in the unfolding of the national drama. Politicians, statesmen, artists, authors, merchants, outlaws, adventurers, athletes, soldiers, inventors, agriculturists and many others—all were potent in the America of yesterday and released energies that have shaped the America of today. Most of these figures have been forgotten, but a few have been included in the gallery of national heroes or become immortalized in the nation's folklore.

The most recent volume of the *Dictionary* opens with a sketch of Paxton Hibben, that colorful "diplomat, soldier, journalist" of our own time; it concludes with an account of the career of William Chapman Jarvis, "physician, pioneer laryngologist and rhinologist" of the nineteenth century. As one turns the more than 600 pages of the volume, one passes the sketches of Henry Lee Higginson, Boston banker and founder of the city's famous symphony orchestra; James J. Hill, "empire builder," railroad magnate and benefactor of the Northwest; Isaac Hill, New Hampshire editor and politician of the Jackson era; William Hill, eighteenth century ironmaster in South Carolina; H. E. Von Holst, historian; Elias Howe, whose invention of the sewing machine was in itself an industrial revolution; Miller Huggins, of baseball fame; Simon P. Hullihen, a dentist and pioneer in plastic surgery; James Hunnewell, Massachusetts sea captain and merchant; Obed Hussey, inventor of the reaper; Thomas Hutchinson, royal Governor of Massachusetts Bay; George Innes and Winslow Homer, artists; Archbishop Ireland, who, a generation ago, was the outstanding Catholic cleric in America, and, among a host of others, the outlaw, Jesse James.

The accounts of Andrew Jackson and of Sam Houston are likely to interest most people more than the extensive characterizations of Henry and William James, Washington Irving, or even Oliver Wendell Holmes. Both Jackson and Houston were the type of man for whom

one could throw one's cap in the air and shout oneself hoarse; their appeal was emotional rather than intellectual; their faults were many and obvious, but time, as the present thumbnail sketches make clear, has judged them, found them not wanting and given them a sure position among the ten or dozen Americans of heroic stature.

The contributions to the present volume, as to previous ones, are from scholars whose ability, for the most part, cannot be questioned. In the longer essays, in which a writer has an opportunity to display his powers, pithiness of statement and nicety of characterization are far more apparent than in the briefer sketches, where literary quality is frequently sacrificed to the requirements of space. As is to be expected, some minor figures who deserve mention have been omitted; greater care for historical perspective would affect the length of some of the biographical studies, but generally the ninth volume of the *Dictionary* maintains the high standard set by its predecessors and, in more ways than one, testifies to the intellectual capacity of the nation that has produced so monumental a work.

Russia in Foreign Eyes

By CALVIN B. HOOVER

Author of "The Economic Life of Soviet Russia"

SEVEN YEARS IN SOVIET RUSSIA. By Paul Scheffer. Translated by Arthur Livingston. New York: The Macmillan Company, 1932. Pp. 357. \$3.

NEW MINDS: NEW MEN? The Emergence of the Soviet Citizen. By Thomas Woody. New York: The Macmillan Company, 1932. Pp. 528. \$4.

THESE two books present an interesting contrast, no doubt because the authors differ not only in personality but also in vocation. Mr. Scheffer was for seven years the Russian correspondent of the *Berliner Tageblatt*. Mr. Woody is a Professor of Education. Mr. Scheffer sees the physical and mental torture which the Russian people have endured since the October revolution. Mr. Woody sees the enthusiasm of Soviet youth in the development of a new educational and social system. In Mr. Scheffer's eyes the possibility of success of Russian Communism is a threat to European civilization; to Mr. Woody it promises the creation of a new world. Most newspaper correspondents would lean toward Mr. Scheffer's interpretation. Probably all Professors of Education would agree with Mr. Woody.

Mr. Scheffer went to Moscow in 1921; he was refused a visa to re-enter Russia after a visit to Berlin in the Autumn of 1929. His sojourn began with the inauguration of the New Economic Policy, and his exclusion from Soviet Russia came at a time when NEP was drawing to an end. This circumstance is interesting, but is not a coincidence. During NEP the policy toward foreigners writing about the Soviet Union had been rather liberal. Scheffer could

not accommodate himself to the tightening of the press censorship which developments made inevitable.

His book is the record of his observations, impressions and interpretations during the NEP period. In the six parts into which the book is divided the author treats of subjects ranging from art, religion and daily life to the Five-Year Plan. It is interesting to observe the evolution and development of men, things and ideas in Soviet Russia through the eyes of Mr. Scheffer during his seven years. Each subject is treated chronologically as though he had set it all down in a diary with no attempt at revision of earlier interpretations after the events had proven them true or false. No doubt the basis of the subject matter is culled from the files of the *Berliner Tageblatt*, since the dispatches of a correspondent obviate the necessity for keeping a diary.

A striking feature is the constant attempt to combat the almost universal belief outside Russia that the introduction of the New Economic Policy in 1921 meant that Communism had definitely failed and that Russia was inevitably to return to capitalism. It is easy to see now that this idea was a totally mistaken one and that events have proven the author's interpretation correct, but in the early days of NEP Scheffer stood almost alone in trying to refute this fallacy which is so stubborn that it has been constantly revived to this day.

Historians will not be able to write the history of Soviet Russia without using Scheffer's book as a source. The account of the relations of the Papacy to the Soviet Government, of the development of Soviet-German relations and of the Trotsky-Stalin controversy are particularly valuable.

Professor Woody's book deals with the factors and influences which are shaping the development of Soviet citizens. It is based upon several trips to Russia, and a sojourn of about a year in 1929-30. He traveled in the rural districts as well as the cities of European and Asiatic Russia, and visited more than 500 schools of all varieties and grades. His book is a description of the methods, objectives and results of the attempt by the Russian Communist party to destroy an old way of life and build a new world.

Professor Woody writes from the standpoint of a sympathetic philosopher who can excuse while he notes the hunger, the dirt, the lack of comfort of the present standard of life in Russia. To him the intense activity of the régime in educational experimentation, in building the foundations of a socialized order, in refusing to be bound by the traditions of the past, offers complete compensation for purely material shortcomings. He recognizes the lack of freedom of speech, of the press and of teaching, but he hardly seems to realize the extent to which suppression is carried. Perhaps it would be more exact to say that this suppression does not make any deep impression upon him.

Professor Woody devotes several chapters to the agencies of education, physical training,



Confidence—and Cash

"The N. I. A. training has taught me how to write a good news story, and why it should be written that way. By applying this knowledge I was enabled, before quite completing the course, to sell a feature story to *Screenland Magazine* for \$50. That resulted in an immediate assignment to do another for the same magazine. I am now doing fiction and have had one short story published. Previous to enrolling in the N. I. A. I had never written a line for publication, nor seriously expected to do so."—Gene E. Levant, 2600 Wilshire Blvd., Los Angeles, Cal.

What makes WRITING ability GROW?

For a number of years, the Newspaper Institute of America has been giving free Writing Aptitude Tests to men and women with literary ambitions.

Sometimes it seems half the people in America who are fired with the desire to write have taken advantage of this offer to measure their ability.

What the tests show

Up to date, no one that could be called a "born writer" has filled out our Writing Aptitude Test. We have not yet discovered a single individual miraculously endowed by nature with *all* the qualities that go to make up a successful author.

One aspirant has interesting ideas—and a dull, uninteresting style. Another has great creative imagination but is woefully weak on structure and technique. A third has a natural knack for stringing words together—yet lacks judgment and knowledge of human behavior. In each case, success can come only after the *missing links* have been forged in.

Here, then, is the principal reason why so many promising writers fail to go ahead. Their talent is one-sided—incomplete. It needs rounding out.

Learn to write by writing

NEWSPAPER Institute training is based on journalism—continuous writing—the sort of training that turns out more successful writers than any other experience. Newspaper-trained writers are numbered not by dozens but by hundreds.

One advantage of our New York Copy-Desk Method is that it starts you writing and keeps you writing in your own home, on your own time. Week by week, you receive actual assignments, just as if you were right at work outside in a great metropolitan daily.

All your writing is individually corrected and criticized by veteran New York newspaper men—editors who have had years of experience "breaking in" new writers. They will point out those faults of style, structure or viewpoint that keep you from progressing. At the same time, they will give you constructive suggestions for *building up* and developing your natural aptitudes.

In fact, so stimulating is this association that student members often begin to sell their work *before* they finish the course. We do not mean to insinuate that they sky-rocket into the "big money," or become prominent overnight. Most beginnings are made with earnings of \$25, \$50, \$100, or more, for material that takes little time to write—stories, articles on business, fads, travels, sports, recipes, etc.—things that can easily be turned out in leisure hours, and often on the impulse of the moment.

For those who want to know

If you really *want* to know the truth about your writing ambitions, send for our interesting Writing Aptitude Test. This searching test of your native abilities is free—entirely without obligation. Fill in and send the coupon. Newspaper Institute of America, 1776 Broadway, New York.

Newspaper Institute of America
1776 Broadway, New York

71H432

Send me, without cost or obligation, your *Writing Aptitude Test* and further information about writing for profit, as promised in *Current History*, August.

Mr. }
Mrs. }
Miss }
Address.....

(All correspondence confidential. No salesmen will call on you.)

Continued on Page VI

Before You Vote . . . Read

RACE, CLASS & PARTY

A History of Negro Suffrage and
White Politics in the South

By PAUL LEWINSON

" . . . Coming as it does on the eve of a confused election in which the South will play an undetermined but important part, this book is of wide interest, but will have the more lasting quality of being an authoritative study of the situation for years to come."—*Knickerbocker Press*. \$3.75

OXFORD UNIVERSITY PRESS

Consult Your Bookseller

Continued from Page V

children's literature, youth organizations and educational methods. His book is particularly valuable as an interpretation of Soviet youth and its attitude toward the new order. Professor Woody has made the most of his opportunity for intensive observation of this phase of Soviet life, which has largely been neglected by other observers. One is able, from his book, to grasp something of the tremendous character of the forces which are at work in refashioning the future Soviet citizen. In the lives of many of the older people of Russia the change from the old to the new has meant not adaptation but destruction. A foreign observer cannot fail to be horrified at the stark human misery which has resulted, but Professor Woody presents to us the other side of the shield, and shows us something of the enthusiasm for the new which undoubtedly is to be found among the younger people, but which often passes unnoticed.

BRIEF BOOK REVIEWS

RECOVERY—THE SECOND EFFORT. By Sir Arthur Salter, K. C. B. New York: The Century Company, 1932. \$3.50.

Sir Arthur Salter here points out that stabilization attempts in copper, rubber, wheat, silk, sugar and coffee have failed because they were planned along nationalistic lines. The author would substitute an international economy under which both private and national economic systems would be devised to suit world needs. The entire book is a balanced and sober discussion of the chauvinistic forces which have brought industrial disaster to the world. To many readers, however, the immensity of the task outlined brings only a feeling of hopelessness, and the schemes proposed exude a faint odor of propaganda by the professional internationalist.—B. O.

PATHWAYS BACK TO PROSPERITY. By Charles Whiting Baker. New York: Funk & Wagnalls Company, 1932. \$2.50.

It would seem anomalous that when every index points to the fact that we have been overproducing—which means that we have been producing more than the consuming capacity of those who produce—we should now be ad-

vised that in order to gain prosperity we must have greater savings, more frugality, more thrift. Mr. Baker's book is an example of our non-realistic method of examining the causes of the depression. No doubt, in a large measure, the continuance of the depression may be attributed to the adherence of industrial leaders to such worn-out shibboleths as thrift, frugality and independence, when what apparently is needed is greater consumption and more consuming power by the masses.—B. O.

RECENT IMPORTANT BOOKS

ECONOMICS

A History of the Detroit Street Railways. By Graeme O'Geran. Detroit: The Conover Press, 1931. \$3. A well-documented study of the growth and economics of the Detroit street railway, which, in 1930, was the largest system in the world under public ownership.

A Preface to Economics. By Broadus Mitchell. New York: Henry Holt & Co., 1932. \$3.50. Although intended as a textbook, this elementary and simply written survey of the principles of economics, embodying as it does many of the more recent developments in economic theory, might well be given attention by busy men outside university walls. The point of view throughout is the reverse of dogmatic, so that the book will appeal to many for its easy-going treatment of questions around which controversy rages.

The Crisis of Capitalism in America. By M. J. Bonn. With an introduction by George S. Counts. New York: The John Day Company, 1932. \$2.50. A German view of American economic life since the World War and a portrayal of conditions which lead the author to conclude that without speedy economic rehabilitation the United States is destined to become transformed into a new social organization.

POLITICAL SCIENCE

Government by Judiciary. By Louis B. Boudin. New York: William Godwin, Inc., 1932. 2 vols. \$10. A critical history of the United States Supreme Court, which concerns itself especially with the assumed power of the court to declare the acts of Congress or of the several State Legislatures unconstitutional.

Problems of the Pacific 1931. Edited by Bruno Lasker, assisted by W. L. Holland. Chicago: University of Chicago Press, 1932. \$5. A mine of information on many aspects of Far Eastern problems. Based upon the proceedings of the Fourth Biennial Conference of the Institute of Pacific Relations which met at Shanghai when the Manchurian crisis of 1931 was at its height, the volume contains portions of the addresses delivered at the general sessions as well as extracts from the material prepared for the meetings.

Business and Politics in the Far East. By Edith E. Ware. New Haven: Yale University Press, 1932. \$3. A careful study of the interplay of economics and politics, and Western and Oriental standards of conduct in relation to the complex problems of the Far East. The author reaches the rather dismal conclusion that the only solution is international cooperation.

America in the Pacific. By Foster Rhea Dulles. Boston: Houghton Mifflin Company, 1932. \$3.50. A history of the successive steps by which the United States secured possessions and "interests" in the Pacific and Far East;

a book that makes understandable the present attitude of America toward Far Eastern affairs.

Development of the League of Nations Idea. Documents and Correspondence of Theodore Marburg. Edited by John H. Latané. New York: The Macmillan Company, 1932. 2 vols. \$8. Here are brought together the correspondence conducted by Mr. Marburg as chairman of the foreign organization committee of the League to Enforce Peace and various documents pertinent to the founding of the League of Nations.

Speeches on Foreign Affairs, 1904-1914. By Sir Edward Grey. Selected, with an introduction by Paul Knaplund. Cambridge: Harvard University Press, 1932. A convenient collection of the important speeches of the British Foreign Secretary, who, during the decade preceding the outbreak of the World War, directed the steps of Britain toward hopeless entanglement with the enemies of the Triple Alliance.

Are Sanctions Necessary to International Organization? Yes. By Raymond Leslie Buell. No. By John Dewey. New York: Foreign Policy Association, Inc., 1932. A timely discussion of the various implications in the use of economic or military force to maintain obligations imposed by international agreements such as the League covenant and the Kellogg-Briand peace pact.

Our Wonderland of Bureaucracy. By James M. Beck. New York: The Macmillan Company, 1932. \$3. An attack upon governmental bureaucracy and government by commission. In spite of its admitted bias, the book is of considerable value in recording the growth of Fed-

eral bureaucracy and in its exposure of the many absurdities and inefficiencies which have arisen under the system.

MISCELLANEOUS

The Development of Religious Toleration in England From the Beginning of the English Reformation to the Death of Elizabeth. By W. K. Jordan. Cambridge: Harvard University Press, 1932. A scholarly and thorough study of the growth of the theory of toleration in sixteenth-century England, with careful attention to the diverse factors involved.

Toward Soviet America. By William Z. Foster. New York: Coward-McCann, Inc., 1932. \$2.50. The avowed purpose of Mr. Foster in this book is to outline Communist policy in a simple fashion and to point out what is the matter with capitalism and what must be done about it.

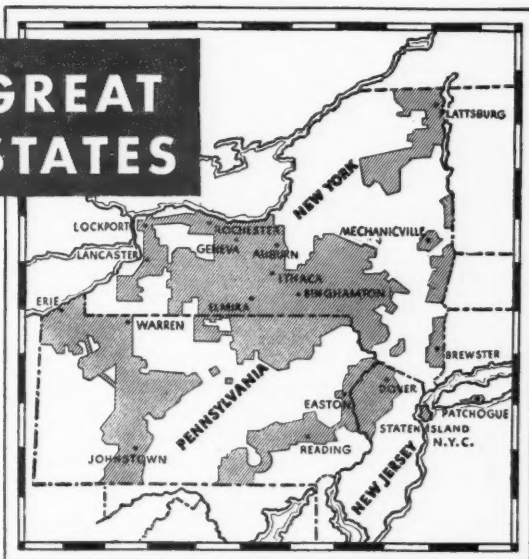
The Letters of Queen Victoria. Edited by George Earle Buckle. Third Series, Vol. III, 1896-1901. New York: Longmans, Green & Co., 1932. \$9. The final volume of the official collection of the famous Queen's letters, which, like its predecessors, throws considerable light on the personality of the "Widow at Windsor" as well as on the part she played, as ruler of a great empire.

The Writings of George Washington. Edited by John C. Fitzpatrick. Vol. I: 1745-1756. Washington: U. S. Government Printing Office, 1931. The first volume of what is planned to be the definitive edition of the writings of Washington. A carefully edited and compiled collection carried out under the auspices of the George Washington Bicentennial Commission.

SERVICE IN 3 GREAT STATES

● Associated Gas and Electric properties are grouped for efficient operation. The largest groupings are in New York, Pennsylvania, and New Jersey, where the proximity of properties to one another results in unusual opportunities to effect economies. Associated operating companies in other states are also grouped for efficient management. To these advantages there is added the factor of stability of revenues from service to many industries in varied geographical areas in 26 States and in Canada.

The Associated Gas and Electric System is one of the five oldest utility groups in the United States. Service has grown from 8,000 customers in 1906 to 1,437,653 at the beginning of 1932.



To invest, or for information, write

Associated Gas & Electric System

61 BROADWAY

NEW YORK



Contents for AUGUST, 1932

| | | |
|---|--|-----|
| ROOSEVELT: THE DEMOCRATIC HOPE..... | <i>Claude Moore Fuess</i> | 513 |
| THE NATIONAL CONVENTIONS OF 1932..... | <i>Turner Catledge</i> | 521 |
| THE SCANDALS OF NEW YORK..... | <i>Julian S. Mason</i> | 527 |
| GERMAN CAPITALISM AT A DEAD END..... | <i>Herbert J. Burgman</i> | 534 |
| THE WORLD'S SHIFTING GOLD RESERVES..... | <i>D. W. Ellsworth</i> | 540 |
| CUBA'S ECONOMIC ISOLATION..... | <i>William L. Schurz</i> | 545 |
| HOW REAL WAS OUR PROSPERITY?..... | <i>Abraham Epstein</i> | 550 |
| BILLIONS FOR VETERANS..... | <i>Robert Cruise McManus</i> | 557 |
| THE BIRTH CONTROL CONTROVERSY.... | <i>R. E. Riegel and Lawrence Eager</i> | 563 |
| CURRENT HISTORY IN CARTOONS..... | | 569 |

A MONTH'S WORLD HISTORY

| | | |
|--|------------------------------|-----|
| THE END OF REPARATIONS..... | <i>James Thayer Gerould</i> | 573 |
| TEXT OF LAUSANNE REPARATIONS TREATY..... | | 576 |
| THE HOOVER DISARMAMENT PLAN..... | | 580 |
| AMERICA'S EFFORTS FOR RECOVERY..... | <i>E. Francis Brown</i> | 582 |
| MEXICO VOIDS CONFISCATION LAWS..... | <i>Charles W. Hackett</i> | 588 |
| THE CHILEAN SCRAMBLE FOR POWER..... | <i>Henry Grattan Doyle</i> | 591 |
| IRELAND AND THE EMPIRE..... | <i>J. Bartlet Brebner</i> | 595 |
| PREMIER HERRIOT'S BURDEN..... | <i>Othon G. Guerlac</i> | 600 |
| GERMANY UNDER VON PAPEN..... | <i>Sidney B. Fay</i> | 603 |
| SPANISH UNITY AT STAKE..... | <i>William E. Lingelbach</i> | 607 |
| HUNGARY IN A NEW CABINET CRISIS..... | <i>Frederic A. Ogg</i> | 610 |
| THE DISPUTE OVER GREENLAND..... | <i>Ralph Thompson</i> | 613 |
| SOVIET ECONOMIC DISAPPOINTMENTS..... | <i>Edgar S. Furniss</i> | 616 |
| TURKEY JOINS THE LEAGUE OF NATIONS.. | <i>Albert H. Lybyer</i> | 620 |
| MANCHURIA IN WORLD POLITICS..... | <i>Tyler Dennett</i> | 623 |
| TEXT OF THE PARTY PLATFORMS..... | | 630 |
| BOOK REVIEWS..... | | IV |

